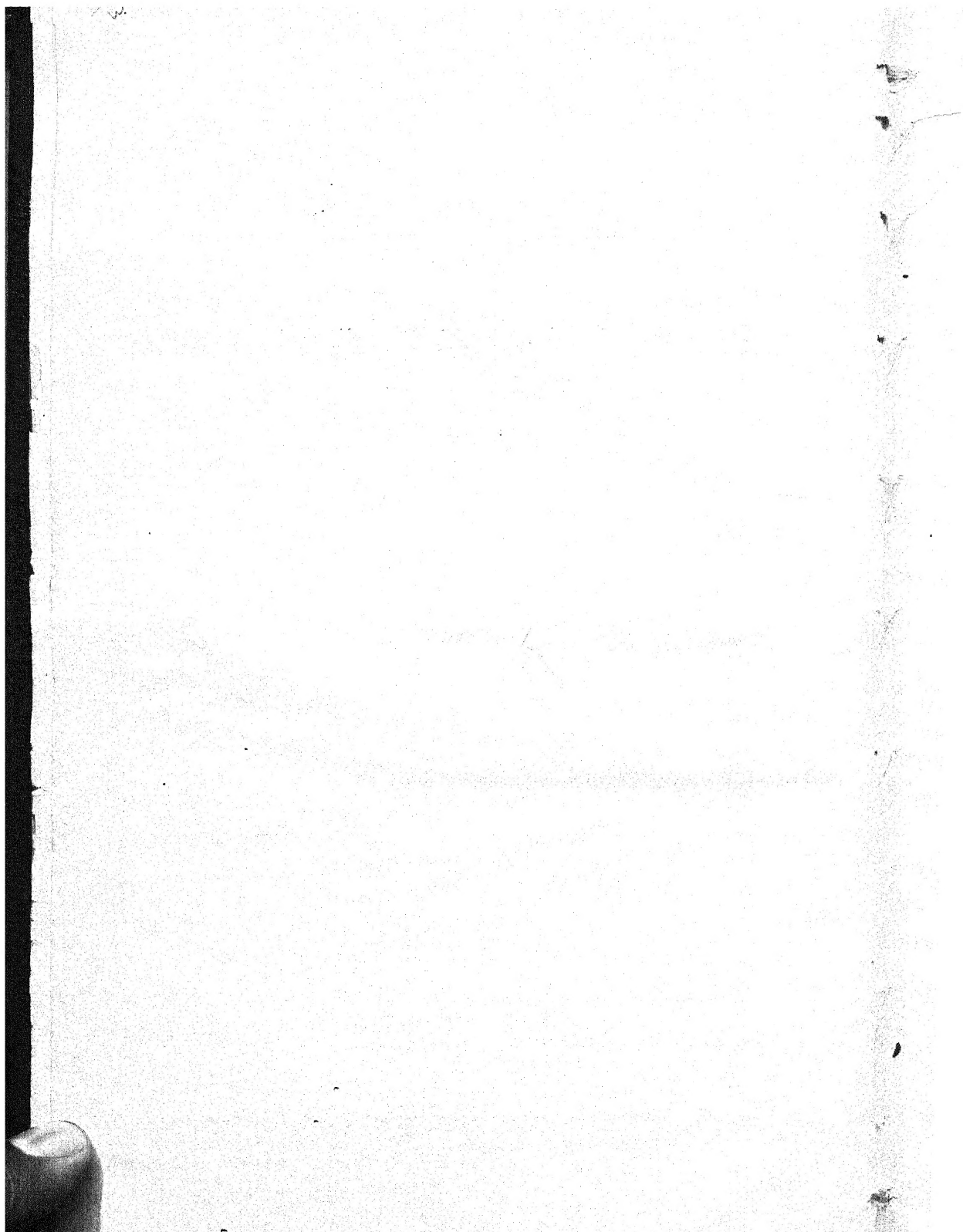


FOR OFFICIAL USE.

INDIAN STATES COMMITTEE

1928

Replies received to the Questionnaire
issued by the Committee.



QUESTIONNAIRE ISSUED BY THE INDIAN STATES COMMITTEE.

Introductory Remarks.

The terms of reference are—

- (1) to report upon the relationship between the Paramount Power and the States with particular reference to the rights and obligations arising from :—
 - (a) treaties, engagements and sanads, and
 - (b) usage, sufferance and other causes ;
- (2) to enquire into the financial and economic relations between British India and the States and to make any recommendations that the Committee may consider desirable or necessary for their more satisfactory adjustment.

2. The Committee do not consider that the substance of part (1) of the terms of reference can be suitably dealt with by a questionnaire. Moreover, it is understood that the Standing Committee of the Chamber of Princes and a large number of the Princes and Chiefs present in Delhi for the meeting of the Chamber of Princes have obtained legal assistance on the general questions raised in regard to it and that the Committee will have the benefit of such assistance. Should any State wish to place its own views on record it is hoped that it will do so.

3. It should be stated that the Committee are not empowered to deal with past decisions of the Paramount Power, or present differences between them and the States, except in so far as they illustrate, or bear upon, the relationship existing between the Paramount Power and the States. The Committee do not, however, desire to limit the evidence which the States may wish to bring forward in arguing their cases by referring to past decisions or present differences of opinion within the limits of the first part of the instructions, which refer only to the existing relationship, and in so far as they may consider it necessary to do so.

4. The questionnaire, therefore, deals with the second part of the instructions only. As the Indian States have not yet placed before the Committee the questions which they wish to bring forward, this questionnaire is based upon the records of the Political Department in so far as they relate to matters that have recently come under notice or discussion. Other questions than those covered by the questionnaire may therefore be raised by the States. The Committee are anxious that every opportunity should be given to the States to place their views before them in so far as they are covered by the terms of reference.

QUESTIONS.

Customs.

5.—(a) Do the States claim a share of the Imperial customs revenue and, if so, on what grounds ?

(b) Has the recent raising of customs duties adversely affected the States or their subjects ? If so, please quote facts and figures.

(c) Would the States be prepared to abolish their own import and export duties on condition of receiving a share, to be agreed upon, of Imperial customs revenue?

(d) On what grounds do the Princes who are Members of the Chamber in their own right, other than those already enjoying exemption, claim exemption from the payment of customs duties on articles imported for the personal use of themselves or their families?

Railway jurisdiction.

6. Have the States anything to add to the summary regarding jurisdiction over lands occupied by railways in their territories, as amended by the Standing Committee of the Chamber of Princes on the 20th August 1924? (See Annexure A.)

Mints and Currency.

7. Are there any considerations relative to this question which the States would like to bring before the Committee?

Dealings between Indian States and Capitalists and Financial Agents.

8. Have the States anything to add to the summary approved by the Chamber of Princes in November 1924 in regard to this question?

Manufacture and Export of Salt by the Darbars.

9. This subject is dealt with by treaties and agreements between the States and the Government of India. Have the States any representations to make in regard to it?

Posts and Telegraphs.

10. Have the States any objection to the working of the existing system of telegraph and postal services within their territories, and what claims do they make to the profits, if any, accruing from these services, and in the event of losses, would the States be prepared to share the losses?

Discussion of matters of joint interest to British India and the States.

11. What procedure would the States desire for the joint discussion of questions in which the interests of the States and the interests of British India may not be identical? Recently, special Sub-Committees of Dewans have been appointed by the Standing Committee of the Chamber of Princes to confer with Officers of the Government of India. Has this procedure been found to be satisfactory? If not, what procedure is suggested?

General financial relations.

12. Have the States any suggestions to make with regard to the general financial arrangements existing between them and British India?

Opium.

13. Do the States desire to bring forward any questions in connection with opium?

Excise.

14. Do the States desire to bring forward any questions in connection with Excise?

General.

15. Do the States desire to bring forward any other questions, *vide* para. 4 above?

ANNEXURE A.

SUMMARY AS AMENDED BY THE STANDING COMMITTEE OF THE
CHAMBER OF PRINCES ON THE 20TH AUGUST 1924.

1. In 1891 the principle was laid down that, as soon as a Darbar railway became part of a line of communication between State territory on the one hand and British or State territory on the other, a cession of jurisdiction should be required. Subsequent developments have, however, considerably modified the view then taken. It was, for instance, decided in 1893 that the orders should not be so interpreted as to require cession of jurisdiction over a line lying wholly within State limits but connected at one end with the British Railway system. Again, in 1898, a Darbar was permitted to retain jurisdiction over a portion of State Railway in spite of the fact that a portion of the line traversed another State. Three years later the orders were relaxed in another case, in which a Darbar was permitted to retain jurisdiction although the railway penetrated into British territory. In 1902 a further step in the same direction was taken, a Darbar being permitted to retain jurisdiction over a proposed railway even though it might subsequently form part of a line connected at both ends with the British system. The principle of the original orders has also been relaxed in several cases where lines pass through more than one State by permitting Darbars to retain jurisdiction over the portions of the lines within their respective limits.

2. In the case of railway lines over which full civil and criminal jurisdiction has been ceded, the policy of the Government of India has been to apply to those lands only such laws as are necessary for the administration of civil and criminal justice, together with the Railway Post Office and Telegraph Acts. There are cases in which it has been found convenient to apply to such lands the laws of an adjoining British district *en bloc*, but all such laws are not enforced in those lands and fiscal laws particularly are not enforced, as it is not the policy of the Government of India to raise revenue from lands which are ceded for railway purposes. An Act such as the Excise Act is, however, applied to such lands when it is required to control the consumption of, and traffic in, liquor on railway stations, or to protect the excise revenue of British India. A law such as an Intoxicating Drugs Law may also be enacted for such lands when experience has shown that it is necessary to prevent smuggling through the railways, as much in the interests of the States themselves as of Government. Such a measure, though fiscal, is not revenue producing, and the Government of India make no profit out of it.

3. The following are the conditions on which the Government of India are prepared to consent to the permanent retention of jurisdiction by States over the railways in their territories other than those which form parts of an important through route operated by the Government

of India or by a Company in the profits of which the Government of India shares:—

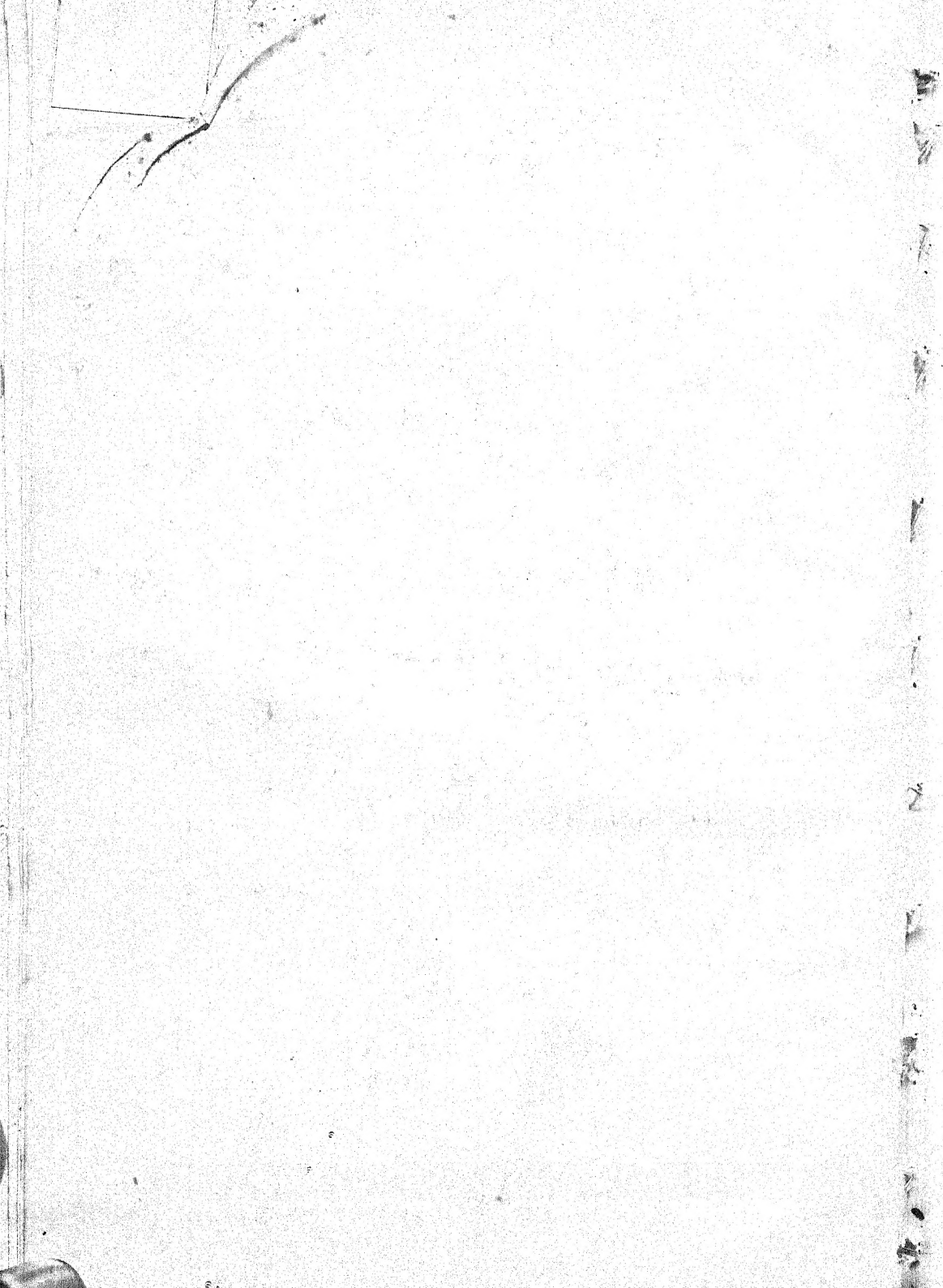
- (i) that the State or a Company or individual or association of individuals authorised by the State is either the owner of the Railway or at least has a substantial interest in it and works it;
- (ii) that the State possesses proper machinery for the administration of justice;
- (iii) that adequate control over the working and maintenance of the line is retained either by the application of an enactment and rules similar to the Indian Railways Act and the rules made thereunder, or otherwise;
- (iv) that the State will grant permission for such inspections of the line by Government Railway officials as may be considered necessary.

4. In case of grave public emergency or in the strategic and military interests of the Empire it is necessary to have unity of control, and the Imperial Government feel confident that they may rely on the Indian States to co-operate with them as may be necessary on such occasions.

5. In the case of serious failure to comply with conditions (ii), (iii) and (iv) in para. 3 above, the British Government may take such steps as are necessary to effect a remedy, provided that where, in pursuance of this clause, it becomes ultimately necessary to take over jurisdiction such jurisdiction shall be restored to the State concerned on its giving adequate assurances to the Government of India for the proper observance of the conditions in future.

SECTION I

CUSTOMS



CUSTOMS

Summary of Replies Received

To Paragraph 5 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

Extract from the questionnaire issued by the Indian States Committee.

CUSTOMS.

5.—(a) Do the States claim a share of the Imperial customs revenue and, if so, on what grounds?

(b) Has the recent raising of customs duties adversely affected the States or their subjects? If so, please quote facts and figures.

(c) Would the States be prepared to abolish their own import and export duties on condition of receiving a share, to be agreed upon, of Imperial customs revenue?

(d) On what grounds do the Princes who are Members of the Chamber in their own right, other than those already enjoying exemption, claim exemption from the payment of customs duties on articles imported for the personal use of themselves or their families?

HYDERABAD.

The most important document defining the trade relations of Hyderabad with the Government of India is the Commercial Treaty of 1802 (pp. 78-81 Vol. IX Aitchison's Treaties). Under this treaty neither party might impose a higher duty than five per cent. *ad valorem* on any article imported from the other's possessions by the traders of either, and free transit was to be accorded between the territories of the contracting parties of all articles being the growth, produce, or manufacture of each respectively, or of any part of His Britannic Majesty's dominions. Hyderabad was further accorded the "free use" of the sea-port of Masulipatam. His exalted Highness' Government is advised by eminent counsel (*vide* Annexures A, B, and C at close of this reply) that the effect of Article 3 of this Treaty, read with its other provisions, is to debar the East India Company's successor in interest from imposing any duty on articles imported from any part of the British Empire into the Nizam's Dominions. Further, the same article makes it clear that no export duty may be imposed on any article being the growth, produce or manufacture of Hyderabad when exported outside British India.

These provisions have doubtless been overlooked by the Government of India when imposing general tariffs; and, until recent years, the duties imposed by the Government of India have been small. It is only since the raising of the general level of import duties and the definite adoption of protection by the Government of India that a serious burden has been placed on the people of Hyderabad, a burden from which, unlike the people of British India, they derive no corresponding benefit. The time has therefore come for His Exalted Highness' Government to ask that effect should be given to the full rights and privileges guaranteed under the Treaty of 1802.

But, apart from any treaty rights, the levy at port of entry of import duties on goods destined for an inland state offends against generally accepted principles of taxation. Customs duties properly belong to the government of the territory whose people consume the goods so charged: in other words, duty follows consumption. Switzerland in Europe and Afghanistan in Asia are examples of countries with no port on an open sea which import articles through surrounding countries in bond or under seal. Nyasaland, Bechuanaland, and Swaziland import goods free of duty in the same way through surrounding portions of the Empire. Kashmir and Nepal enjoy the same privilege in British India, while littoral States such as Travancore have an acknowledged right to import goods direct. It is therefore both just and practicable to allow all goods consigned from abroad to be imported duty free into Hyderabad, while free export on the other hand cannot present any difficulties.

The replies to the specific questions put are therefore as follows:—

- (a) Hyderabad's claim cannot be narrowed to a claim to a share of the Imperial customs revenue. Hyderabad desires in the first place to be accorded its full Treaty rights. In the second place it does not wish to be confined within the tariff system of the Government of India, a system in determining which it has

no voice and which may or may not be in accordance with the interests of its trade and people. And in the third place Hyderabad claims a share of Imperial customs revenue where goods consumed in Hyderabad do not reach it direct. This last claim is based on the reasons set out in the preamble to this reply.

- (b) It is not practicable to quote facts and figures, but on general grounds it cannot be doubted that the burden is passed on to the ultimate consumer. His Exalted Highness' Government desires that the question should be determined on principle and not on the degree to which the effect can be demonstrated.
- (c) His exalted Highness' Government, as at present advised, is not prepared to abolish their import and export duties. Not only does the customs duty bring in a revenue of about Rs. 130 lakhs, but within the limit of five per cent. it has been found possible to afford some assistance and protection to local industries. With this end in view a Tariff Commission appointed by this Government has recently made wide recommendations. At the same time His Exalted Highness' Government desires to guard against any suggestion that they are indifferent to the general trade interests of the Indian Empire. There have been common interests since the Treaty of 1802 and there will always be common interests. His Exalted Highness' Government will welcome a joint discussion on this intricate question of customs and will be open to consider any suggestions regarding the Hyderabad tariff which, while preserving Treaty rights, can be shown to confer mutual or reciprocal benefits.
- (d) His Exalted Highness is not a member of the Chamber.

ANNEXURE A.

COMMERCIAL TREATY WITH THE NIZAM, 1802.

(*Vide pp. 78-81 Aitchison's Treaties.*)

Treaty for the Improvement and Security of the Trade and Commerce between the Territories of the Honourable East India Company and of His Highness the Nawab Nizam-ool-Moolk Ausuph Jah, Soubadar of the Deccan; settled by Major James Achilles Kirkpatrick, Resident at the Court of His Highness, by virtue of the powers delegated to him by H.E. the most Noble Richard, Marquis Wellesley, Knight of the Most Illustrious Order of Saint Patrick, one of His Britannic Majesty's Privy Council, Governor-General in Council, Captain General and Commander-in-Chief of His Majesty's and the Honourable Company's Forces in India, appointed by the Honourable the Court of Directors of the said Honourable Company to direct and control all their affairs in the East Indies, and Governor-General in Council of all the British possessions in the East Indies.

Whereas a well regulated commerce is essential to the opulence and prosperity of the people and to the wealth and power of the State;

and Whereas a free and secure commercial intercourse tends to maintain and improve the relation of amity, peace, and concord between contiguous nations; Wherefore the Honourable East India Company and His Highness the Nawab Ausuph Jah, anxious to improve by every possible means the close and intimate connection now happily established between the two States, and to extend the benefits of their union to their respective subjects, have agreed on the following Articles of a Treaty of Commerce between the two States:—

Article 1.

As the testimony of the firm friendship, union and attachment, subsisting between the Honourable Company and His Highness the Nawab Ausuph Jah, the Honourable Company hereby agree to grant to His Highness the free use of the sea-port of Masulipatam; at which port His Highness shall be at liberty to establish a commercial factory and agents under such regulations as the nature of the Company's Government shall require and as shall be adjusted between the Governor-General in Council and His said Highness.

Article 2.

His Highness's ships bearing his flag shall be entitled at all times to the protection of His Britannic Majesty's and of the Honourable Company's ships of war, and shall be admitted into all the ports belonging to the British Government in India upon the footing of the most favoured nations.

Article 3.

There shall be a free transit between the territories of the contracting parties of all articles being the growth, produce, or manufacture of each respectively; and also of all articles being the growth, produce or manufacture of any part of His Britannic Majesty's dominions.

Article 4.

All *rahdarry* duties and all duties collected by individual renters or zemindars on goods passing to and from the territories of the contracting parties shall be abolished, and all zemindars, renters, etc., shall be strictly prohibited from committing any acts of extortion or violence on the merchants passing through the respective territories of the contracting parties.

Article 5.

A duty of five per cent., and no more shall be levied at Hyderabad indiscriminately on all articles of merchandise whatever imported into His Highness's dominions from the Company's possessions. No articles shall pay duty more than once. The duties payable shall be regulated by a just valuation of the article or commodity on which they shall be charged, and which shall be determined by an invoice authenticated by the seal and signature of the proper

officer on each side; Nor shall any arbitrary valuation of any article or commodity be admitted to enhance the amount of the duties payable thereon, and the said duties shall be fixed and immutable except by the mutual consent of the contracting parties.

Article 6.

The Honourable East India Company shall on their part adopt similar arrangements in every respect for the purpose of facilitating the transit through their dominions of all articles the growth, produce or manufacture of His Highness's territories and of guarding the same from all unjust exactions or vexatious imposts whatever.

Article 7.

The duties payable to the Honourable Company on all articles imported into their territories from His Highness's dominions shall be collected in the mode prescribed by the fifth Article at Masulipatam alone, or at one or more places according to the convenience of the merchants belonging to His Highness's dominions; and the said place or places shall be fixed with the consent of His Highness the Nizam, it being understood that no article imported from His Highness's dominions shall in any case pay duty more than once, whether the said duty be collected at Masulipatam or elsewhere.

Article 8.

A duty of five per cent. and no more shall be levied once by His Majesty's Government, and be made payable at Hyderabad on the prime cost of all commodities purchased in His Highness's dominions for exportation.

Article 9.

No merchants or traders under the Company's Government shall be allowed to revend in the dominions of the Nawab aforesaid the productions or manufactures of his territories purchased by them therein. Neither shall any grain be exported from territories of the Nawab aforesaid into those of the Honourable Company without a special license for the purpose; nor any more grain be purchased in His Highness's territories than what is necessary for the consumption of the subsidiary force. But it is at the same time hereby agreed that, in cases of necessity, permission shall reciprocally be granted immediately on application for the transportation of grain, free from all duties whatever, into the respective territories of the two contracting powers in Hindostan and Deccan.

Article 10.

The traders under both Governments, namely, all such as shall traffic from the Honourable East India Company's territories to the territories of His Highness the Nawab Ausuph Jah, and *vice versa*, shall, upon the importation of their commodities into the

respective territories," pay once a duty of five per cent. according to the terms prescribed in the foregoing Articles. With respect to others who do not come under the above description, such as traders from foreign parts or inhabitants of Hyderabad, who have always paid the usual duties, the kurrarah shall, as heretofore, levy duties from them according to custom.

Article 11.

The preceding regulations shall take effect and be established in the respective territories of the contracting parties on the 1st day of September next, answering to the 2nd of Jemmadee-ul-Awul, A.H. 1217, after which day no duties shall be levied in any other manner than in conformity to the stipulations of this Treaty.

Article 12.

This Treaty consists of twelve Articles, being this day settled by Major James Achilles Kirkpatrick with the Nawab Ausuph Jah Bahadoor, Major Kirkpatrick has delivered one copy thereof in English and Persian, signed and sealed by himself, to the said Nawab, who on his part has also delivered one copy of the same duly executed by himself; and Major Kirkpatrick, by virtue of special authority given to him in that behalf by His Excellency the Most Noble the Governor-General in Council, hereby declares the said Treaty to be in full force from the date hereof, and engages to procure and deliver to His Highness in the space of fifty days a copy of the same from the Governor-General in Council, in every respect the counter part of that executed by himself, and on the delivery of such copy, the treaty executed by Major Kirkpatrick shall be returned.

Signed, sealed and exchanged at Hyderabad this 12th day of April A.D. 1802 or 8th day of Zehidge A.H. 1816.

J. A. KIRKPATRICK,

Resident.

ANNEXURE B.

OPINIONS OF COUNSEL.

Opinion No. 1.

I have carefully considered the two treaties, one of A.D. 1759 and the other of 1802 and the questions arising in respect thereto that have been submitted to me for opinion. The treaty of 1759 has very little to do with the questions that have arisen. By that treaty the whole of the Circar of Masulipatam and Circar of Nizampatam and the Districts of Condavir and Wakalmanuer were given to the East India Company as Inam by the then Ruler of His Exalted Highness the Nizam's Dominions, the Company on its part undertaking certain obligations towards the Ruler of Hyderabad. The real treaty to consider in respect of the present question is the Commercial Treaty of 1802.

The preamble of the Treaty recites that a well regulated commerce is essential to the opulence and prosperity of the people and to the wealth and power of the State and that a free and secure commercial intercourse tends to maintain and improve the relation of amity, peace and concord between contiguous nations.

By Article 1 the Company granted to His Highness the Nawab Nizam-ul-Mulk Asaf Jah the free use of the sea-port of Masulipatam at which port liberty was given to His Highness the Nizam's Government to establish a Commercial factory.

By Article 2 His Highness's ships bearing his flags were declared entitled at all times to the protection of His Britannic Majesty's Navy and to be admitted to all the ports belonging to the British Government upon the footing of the most favoured nations.

Article 3 provides that there shall be a free transit between the territories of the contracting parties of all articles being the growth, produce or manufacture of each respectively and also of all articles being the growth, produce or manufacture of any part of His Britannic Majesty's Dominions.

Articles 5 to 10 in effect provide that the traders under both Governments shall upon the importation of their commodities into their respective territories pay once only a duty of five per cent. The most important Article to my mind is Article 3, which entitles the Government of His Exalted Highness the Nizam to free transit through British territory not only of all articles being the growth, produce or manufacture of British India, but also of all articles being the growth, produce or manufacture of any part of His Britannic Majesty's Dominions, and I think on the words used in that Article such right extends also to all traders who are subjects of His Exalted Highness the Nizam.

On a proper construction of Article 3, I am clearly of opinion that all articles produced in any part of the British Empire imported into any port of British India and meant for transit to any part of His Exalted Highness the Nizam's Dominions, must be free of any levy by the British Government. This freedom from any levy must extend to the customs duties being levied at the ports in British India under the various Customs Duty Acts. For, goods brought from Great Britain and meant for any part of His Exalted Highness the Nizam's Dominions would be merely passing through Bombay or any other port in British India to their destination and such transit under the treaty must be free. Such exemption however cannot on the terms of Article 3 extend to any articles which are the growth, produce or manufacture of countries not forming part of the British Empire. The Customs Duties Acts at present give no exemption in the case of articles imported at British Indian Port for transit to His Exalted Highness' Dominions. In so far as no exemption is given in the case of such articles the Government of India are acting in violation of the treaty. I think His Exalted Highness' Government should make representations to the British Government drawing attention to this fact and demanding such exemption giving effect to the provisions of this Treaty.

Under Sec. 23 of the Sea Customs Act VIII of 1878 the Governor-General in Council has the power to give exemption and the Government

of India should be asked to give exemption from customs duties under that Section in the case of all articles which are the growth, produce or manufacture of any part of the British Empire and are imported for transmission to any part of His Exalted Highness the Nizam's territories.

The provision as regards the duty of 5 per cent. to be charged to Government in Articles 5 to 10 relate only to the importation by traders of commodities into the respective territories. By virtue of those provisions, any trader importing goods from British territory to the territories of His Exalted Highness is liable to pay once a 5 per cent. duty. Conversely, any trader importing into British India commodities from His Exalted Highness' Territories is liable to pay once a duty of 5 per cent. to the British Government. This provision obviously cannot entitle the British Government to levy any duty on goods imported from any part of the British Empire into any British Indian port for the purpose of being taken to any part of His Exalted Highness' Dominions. On such goods His Exalted Highness' Government would be entitled to charge a 5 per cent. duty in the same manner as on any goods imported from His Exalted Highness' Dominions into British India the British Government would be entitled to charge an import duty of 5 per cent.

On the above view it follows that not only is His Exalted Highness' Government entitled to import for its own use into any British Indian port any articles being the growth, produce or manufacture of any part of the British Dominions for the purpose of being taken to Hyderabad free of any customs duty, but all such goods brought into British Indian port by any trader within His Exalted Highness the Nizam's Dominions to be taken into such dominions is also entitled to a similar exemption, because the words in Article 3 are not restricted to His Exalted Highness the Nizam's Government but provide "a free transit between the territories of the contracting parties" meaning thereby free transit from the territory of one contracting party to the other by any person whatever.

As regards the interpretation of Article 1 of the Treaty granting to His Exalted Highness "free use of the sea-port of Masulipatam" I think what is meant is that His Highness's Government is entitled to freedom to bring in ships, use the wharfs, carry on loading and unloading, etc., and this is indicated by reading Articles 1 and 2 together. It is not necessary to invoke these Articles as regards the claim to exemption from customs duty, because such exemption as I have observed before applies to all British Indian ports including Masulipatam, and His Exalted Highness' Government as well as all traders within his territories are on a proper construction of the treaty entitled to free transit from Masulipatam as well as all other British Indian ports, in respect of any articles being the growth, produce and manufacture of any part of the British Empire intended to be taken into His Exalted Highness' Dominions. In this view it is not necessary to consider the suggestion made about asking for the exchange of concessions as regards Masulipatam for a similar concession with regard to other Port or Ports in British India.

As regards the question whether His Exalted Highness' Government could charge duty higher than 5 per cent. on articles imported into

His Exalted Highness' Dominions, I am afraid that under Article 10 a duty of 5 per cent. only is leviable. His Exalted Highness' Government is entitled under Article 8 to levy a similar duty of 5 per cent. on all commodities purchased into His Exalted Highness' Dominions for exportation into British India.

I think, as already observed above, that the British Government, in so far as they do not provide under their Customs Act for the exemption secured to His Exalted Highness the Nizam's Government and his subjects by this treaty, are acting in violation of the solemn engagements of this treaty.

ANNEXURE C.

Opinion No. 2.

I. I have carefully studied the treaty between the Governments of the Nizam and the East India Company negotiated in 1802 for the improvement of the trade and commerce of the Dominions of the two contracting parties, with a view to understand the real nature of the rights guaranteed to the Nizam's Government under it. The treaty consists of a preamble and 12 Articles. The preamble of the treaty deals with the necessity of *free* and secure commercial intercourse between neighbouring States. Article I gives the Nizam the free use of the port of Masulipatam with the right of erecting a commercial factory, establishing agents, etc. Article II guarantees the protection of the Company's and His Majesty's Navy to the ships flying the Nizam's flag and grants them admission to all ports in India "upon the footing of the most favoured nations." The third Article, which is the most important, lays down that there shall be free transit between the territories of the contracting parties of all articles being the growth, produce or manufacture of each; and also of the British Empire. Article IV abolished rahdarry duties and local impositions. By Articles V and VI it is laid down that an *ad valorem* duty of 5 per cent. only should be levied on goods imported into Hyderabad from the Company's territories or *vice versa*. Articles VII and VIII prescribe the method and place of collection. Article IX prohibits except under special permission the export of grain. Article X restricts the operation of the treaty to traders under both Governments, *i.e.*, all such as shall traffic from the territories of either and excludes traders from foreign parts. Article XI decides the day on which the treaty comes into operation and the last XII Article is a purely formal one describing the document.

II. The questions that arise out of this treaty are:—

- (a) What does the "free use of the sea-port of Masulipatam" mean? Does it mean exemption from customs duty or any other right which is of value now?
- (b) In view of the fact that the treaty abolishes all transit duties in case of goods grown, produced or manufactured in British India or the British Empire, are not the duties levied at British Indian ports on goods going to Hyderabad illegal?

- (c) Is the Government of India entitled to levy a 5 per cent. *ad valorem* duty on the trade of Hyderabad which does not come from British India or the British Empire?
- (d) Is the Nizam's Government entitled to impose its own customs tariff over and above the 5 per cent. laid down in the treaty?

III. The first Article giving the Government of His Highness (as he then was) the Nizam the free use of the port of Masulipatam is of no practical importance at the present time. It gives the Hyderabad Government free wharfage and other facilities. The question whether the words "free use" include exemption from customs duty is of absolutely no importance because by Article III all transit duties are abolished in favour of Hyderabad in all British Indian ports. Therefore the main question as to the right of the British Government to levy duty on goods ordered from and going to Hyderabad is not based on the interpretation of the first clause. In my opinion this concession has no value even for the purpose of exchange.

IV. The fundamental question of immediate practical importance is the right of exemption from the levy of transit duty. Article III of the treaty abolishes all transit duties on goods passing from Hyderabad into British India and *vice versa*. It is the clear and obvious intention of the treaty—and it is expressly laid down—that even when goods are imported from overseas no transit duties should be charged at British ports, provided the goods so imported are grown, produced or manufactured in the British Empire. As the goods "grown, produced or manufactured in the British Empire" could not get to Hyderabad except through British Indian ports, it was the evident purpose of this clause to cover the duties at British ports. The transit duty on goods coming from other parts of the British Empire is manifestly illegal.

V. The further question that arises is this. What is a transit duty? Is the duty levied at port on goods going direct to Hyderabad transit duty? There can be no two views on this question. Transit duty is defined as duty on goods that pass through a country, on goods that are merely conveyed across. Goods going to Hyderabad are clearly of this nature and the duty levied by British authorities is in contravention of the treaty.

VI. The exemption from transit duties does not operate in favour of all goods that come to Hyderabad. It is limited (a) to goods grown, produced or manufactured in British India or other parts of the British Empire; (b) to goods ordered by traders under both Governments.

VII. Within these limitations the exemption is absolute and its violation under the Customs Act is illegal.

VIII. The question whether the Government of India is entitled to levy a 5 per cent. *ad valorem* duty on the trade of Hyderabad which does not come from British India is raised by Article V of the treaty. This Article, if read with Article III and construed properly, only entitles Hyderabad to claim exemption of transit and customs duty on goods "grown, produced or manufactured in the British Empire."

Goods imported from other countries, or even from the British Empire but grown or manufactured in foreign countries, have to pay whatever duties the British Government may enact.

IX. There remains the question whether the Nizam's Government is entitled to impose its own customs tariff over and above the 5 per cent. laid down under the treaty. There are three points to be considered in this connection:—

- (i) Article V lays down the 5 per cent. limitation only to goods coming from the Company's possessions. If the treaty had been fulfilled on the part of the Company, His Exalted Highness' Government could not have imposed a duty over 5 per cent. on goods coming from British India. But this is not the case. The right of free transit which the Nizam's Government acquires under the treaty is in exchange of "rahdarry duties and all duties collected by individual renters and zemindars." It is therefore a right given in exchange for a valuable consideration. If the free transit is not given, the Nizam's Government has the right of re-imposing those duties which were abolished or others in lieu of them.
- (ii) Goods coming from other parts of the British Empire are not included in the limitation of 5 per cent. *ad valorem* duty and hence His Exalted Highness' Government has the right of imposing whatever duties it chooses on such goods.
- (iii) Goods coming from foreign countries are clearly liable.

BARODA.

(a) Baroda has an engagement with the British Government in regard to customs and tariff, which was entered into in the year 1865. By that engagement, Baroda is under an obligation not to levy, on the foreign trade at its ports, duties lower than those levied in British India; and in consideration of this, the British Government have undertaken to treat the ports of the State as "British Indian ports." Baroda claims that under this engagement it is a member of a customs union with British India, and that it is entitled to develop its ports to their maximum natural capacity and retain all customs revenue collected at the ports without being subjected to any land customs or other barriers or to interference with the customs arrangements at the ports. This question is now before the Government of India in connection with the imposition of the Viramgam line.

(b) The subjects of the State in common with British Indian subjects have to pay higher prices for foreign commodities than formerly. The territories of the State are intermingled with the rest of Gujarat, and economic and fiscal interests of these areas are identical. To give only one instance, Baroda co-operated with the British Government in regard to the levy of cotton excise duty. This measure affected the cotton cultivation in the Baroda State (over 40 per cent. of the area of the State is under cotton) and the mills in the State, in the same manner as the duty affected similar interests in the adjoining area.

The Baroda Government consider that as the interests of their subjects are adversely affected by changes in the tariff of British India, they should be consulted before any changes are made in the rates of duty.

(c) Under the engagement referred to under 5 (a), the State has the right to levy import or export duties on goods entering its territory or finding their way out of it by sea or by land, whether the goods imported or exported have paid any duty in British India or not. In practice, the State has abolished almost all import or export duties in its territories. But this the State has done of its own accord and in the interests of its subjects. The right to impose these duties in case of necessity has not been given up.

As the subject referred to in answer to question 5 (a) has not been decided by the Government of India, it is not possible to answer this question.

(d) This does not require a reply, as the Ruler of Baroda already enjoys this exemption by treaty.

MYSORE.

(a) The State of Mysore claims a share in the Imperial Customs, to be given to it as part of the general financial settlement, on the following grounds:—

- (1) The general right of States possessing internal sovereignty to be exempted from transit duties imposed by other States as recognised in the Barcelona Convention; in this connection, the State invite attention to the very forcible letter of the British Commissioner for the Government of His Highness the Maharaja of Mysore, No. 1631-60 of the 16th August, 1864, of which an extract will be found in Appendix B.
- (2) The fact that, though the levy of such duties was brought to an end by a peremptory order of the Government of India in 1864, the treaties contain no undertaking on the part of the State not to levy them except in certain specified cases.
- (3) The fact that duties on the present scale were never a part of the policy of the Government with which the Mysore Treaties were made, and that the treaties proceeded on the assumption of the continuation of the policy of small revenue duties. In 1864 the general rate was $7\frac{1}{2}$ per cent., and practically the whole of the import duties were abolished in 1882, that is, in the year after the Instrument of Transfer. Even up to 1916-17 the gross revenue from Customs was less than 10 crores per annum. It is only in the three years ending 1927-28 that it reached nearly 49 crores, being the largest single item in the revenues of the Government of India.
- (4) These duties have been put on and taken off without the States having any voice in the matter. Thus the cotton excise duty, which was a corollary of the customs duties, and which was throughout the period of its imposition a subject of unfavourable comment, was imposed in the State at the instance of

the Government of India; when the Government of India removed it without notice, the State was left in the invidious position of continuing the levy alone or of facing a serious deficiency in its budget. The Finance Bill of 1927 proposed the abolition of the export duty on hides. This is a duty in which the State, as a large tanning centre, is keenly interested, and in relation to which it ought to have a voice. The duty levied on imported steel, which affects every agriculturist, was up to 1927 applied in part to the payment of bounties on steel manufactured in British India, but there was no provision for a similar bounty to a steel factory in a State. The State is the largest producer of silk in India, its production being nearly 60 per cent. of the total output, and this industry affords occupation to nearly 200,000 families. The industry is threatened with extinction by the competition of Chinese and Japanese silk. It is true that a 15 per cent. import duty has been imposed, but it is understood that the tariff valuations on raw silks are so much below the actual bazaar price that the duty does not give the protection that the industry requires.

For the reasons stated above the State considers that it has an incontestable claim to a share of the customs duties in one shape or another.

(b) The State's subjects have undoubtedly been affected in common with the British Indian subjects. The Indian Taxation Enquiry Committee found, on a comparison of the figures for 1913-14 and 1924-25, that in the case of articles of direct consumption, there had been an increase in the case of those consumed by the population as a whole, from 430 lakhs to 1,746 lakhs, or by 307 per cent., and in the case of articles mainly of luxury, consumed by the richer classes, from 400 lakhs to 1,416 lakhs, or by 254 per cent. The population of the State being roughly 1/50th of that of the whole of India, it follows that, in the case of the articles consumed by the poor man, a new burden has been imposed of approximately 35 lakhs, or $3\frac{1}{2}$ times the burden imposed by the salt tax, while the total of the new burdens on the State amounts to over 70 lakhs. The items that go to make up this total are, on the figures of 1926-27, roughly as follows:—

	Rs.
A. Articles of food and drink	11,55,627
B. Textiles, apparel, etc.	5,64,347
C. Metals, machinery and building materials	14,37,250
D. Arms, ammunition and explosives	3,53,433
E. Drugs and chemicals	4,27,510
F. Miscellaneous	31,32,703
Total	70,70,870

(c) Although the frontier duties abolished in 1864 have not been revived, the State retain the right to levy them, subject to certain specific restrictions. On more than one occasion the financial position of the State has rendered it necessary to consider seriously the

re-imposition of these duties. But if the claim to a share in the Imperial customs revenue is conceded, the State are willing to relinquish their right to levy inland customs on their frontiers.

APPENDIX B.

Extract from letter No. Genl. 1631-60, dated 16th August, 1864, from the Commissioner for the Government of His Highness the Maharaja of Mysore, to the Government of India.

"7. It may not be out of place if I venture to suggest a comparison of this tariff with that of the Ports in Her Majesty's Territory, which imposes customs on a vast variety of articles no longer charged with duty in England. An inland country like Mysore, having no sea-board, appears to me to be in the same category as regards its frontier duties as Bavaria or Switzerland, and to possess as good a claim to levy them as a territory possessing a coast line has to realise customs at its ports. In the case of the German Zollverein, I believe the principle was adopted of paying to each of the Inland States according to its population a proportion of the dues levied on the Baltic and the whole outside frontier, on condition that they gave up their respective frontier customs. Following this analogy, it appears to me only just that if Mysore, or any other inlying Native State, is required by the Paramount Power to surrender its frontier or transit duties, it should receive compensation for doing so from the British Government. This would no doubt be a heavy drain on the finances, but at the same time I submit that the retention of a multifarious Port Tariff is in marked opposition to the desire of Her Majesty's Government to extinguish all duties levied by Native States, and the justice of such a policy is not unnaturally challenged. If a merchant exports a bundle of Mysore sandalwood from Madras, he must pay the customs due upon it, and if he imports into Mysore from beyond sea the most common necessities, the Madras Tariff imposes duty upon them. It is within my own experience that works of art have been charged with duty at Madras, and I may observe that the indiscriminate taxation which now prevails is in singular contrast to the liberal views which guide the Customs Tariff in England, which is based on the principle of taxing the smallest number of articles."

INDORE.

(a) The Holkar State does not claim a share of the Indian Customs Revenue; but it would urge that on the articles imported into the State, through British India, no customs duties should be charged in British India. The elementary principle of economics is, that the revenue derived from any taxation is the legitimate share of

the Government whose subjects consume the commodities taxed. Consequently articles imported into the State should be subject only to the duty of the Holkar State. At present the Holkar State subjects have to pay duties twice on such articles—once at the British Ports in British India, and again in the State. It is therefore urged that no such duties should be charged in British India, or that if they are charged they should be refunded to the State. Details of procedure for giving exemption of refund in such cases can be settled easily without depriving the British Government of what is its due.

It may be observed that on the principle aforesaid, a number of States, including the Holkar State, had to forego the transit duty at the instance of the British Government, who pointed out that no civilised Government should levy duties of that nature. The duties levied in British India or at British Ports, on articles intended for this State, are in the nature of transit duties. The incidence of double customs duty would be avoided if the States were to forego its own customs duty on articles received through British India, on condition of receiving a share of the customs duty charged by the British Government. But this arrangement would not suit the State for the following reasons:—

- (1) The right to charge customs duty is a Sovereign right and no money equivalent can compensate the State for the loss of that right.
- (2) The customs tariff which may be suitable from the British Indian point of view may not necessarily suit the requirements of the State. The State may like to impose protective duties or to exempt certain articles from duties altogether, but the British Indian Authorities may take altogether a different view as far as British India is concerned.
- (3) It may not be easy to fix the share of the State in the total customs revenue of British India.

(b) The recent raising of customs duties in British India has affected adversely the Holkar State and its subjects. The customs duties in British India are in many cases protective duties; and while in British India they may be needed to protect industries, in the Holkar State, where no such protection is required, they merely raise the price of the articles consumed by subjects of the State. The tax paying capacity of the State subjects is proportionately reduced in consequence of the said duties and the taxes necessary for securing revenues for administrative efficiency are rendered difficult of imposition. It has not been possible to collect facts and figures within the short time at our disposal in support of the above observation.

(c) In view of what is stated above, this question does not arise.

(d) This State enjoys the exemption, and therefore prefers not to say anything on the subject.

KOLHAPUR.

I now turn to the views which His Highness wishes to place before the Committee with reference to financial and economic questions arising between British India and the States. The Committee framed a few general questions regarding this part of its enquiry and in dealing with them I shall follow as far as possible the same order as has been adopted by the Committee. Most of the Treaties between the States and the Government belong to a period in which economic and financial questions of the present time were not anticipated and therefore could not be considered. But modern conditions have given rise to economic and financial questions which very vitally affect the interests of the States and their people. Until but recently customs duties were not a very large source of revenue and they were not looked upon as protective. The separation of certain revenues in British India described as central from revenues allotted to the Provincial Governments has limited the sources of the revenues of each. Customs duties have therefore assumed a far greater importance now to the Central Government of British India. The financial pressure of the last Great War having necessitated an enhancement of these duties for revenue purposes, the customs revenue had already become more important than before the separation took place. In the meanwhile public opinion in British India, now more powerful than ever before, began to realise the need of protective tariffs as not only bringing more revenue to the coffers of the Government but as calculated to encourage Indian industries and to protect them from unfair foreign competition. Except for a very short time closely following the Mutiny, India followed the policy of Free Trade up to 1914-15 and the customs Revenue derived from import duties in the year 1913-14 was only 9 crores and 36 lakhs while including the export duties the total customs revenue was 10 Crores and 71 Lakhs in that year. In 1921-22 owing to the pressure of the late War this revenue was raised to Rs. 32 Crores and 20 Lakhs. Under a further pressure of public opinion in favour of protection as well as to secure more revenue, the customs duties are now so raised as to bring in well nigh 45 crores a year. The States did not attach much importance to the question as to how these duties affected themselves until they formed comparatively a small burden upon the people of India. But from the moment that these duties became a source of a very large revenue and the Princes began to hold joint deliberations, they have been pressing their claims to a share of this revenue, which the States are contributing with the rest of the country. Except a few States in Kathiawar and Madras, no Indian State has got facilities for importing articles for consumption within its own borders without passing through British Indian ports. The Customs duties are as a matter of fact mere transit duties on goods imported into the States for the use of their own populations. The Government has in the case of most of the States prohibited transit duties. It seems to be most unfair that the Government of India should recover and appropriate to itself the revenue derived from duties paid on articles consumed by the States and therefore paid by them. On the basis of population the States are entitled at least to a little over a fourth part of this revenue. If the maritime States

import and export goods for themselves, they would have no claim to the duty levied in British Indian Ports; but in the case of a vast number of States this cannot be so, as they are entirely inland. In justice to them and to their people their share of the revenue must be made available to them for badly needed reforms in their administrations. In the very nature of things, resources for taxation in the States are at present more limited than in British India. Many of them have small areas under their control and have by force of circumstances to maintain all the paraphernalia of a modern administration and all that is necessary to maintain their own dignity as Rulers. It becomes therefore impossible for them to pay as highly for their administration as in British India. If we take the Kolhapur State as an instance, it is just of the same size as a British Indian District and yet it has to maintain a High Court as well as a Secretariat and a Government with four ministers in addition to its having to maintain the Resident and the paraphernalia of a Ruling House which are unavoidable. The Government of India rightly expect efficient administration from the States. They ought therefore to consider the difficulties of the States and at least give justice to them in such financial matters.

In this connection, it is necessary to note that a few of the States enjoy the facilities afforded by their sea-board. They can develop their harbours and import merchandise, at any rate, for their own benefit. Not that the other States feel any the least jealousy for this advantage enjoyed by some of them; but in the case of a State like Kolhapur which has been deprived of opportunities for maritime connections in disregard of express Treaties and by Orders of Government passed during the minority of the Ruler, the fact that a large burden of customs and salt revenue should have to be paid by the people of the State becomes a source of very considerable and well justified discontent. The Kolhapur State, for instance, was in possession of the harbour of Malwan and certain other places on the Western sea coast up to 1812. By the Treaty of that year the harbour of Malwan, "that is to say the fort and island of Sundudroog or Malwan and the forts of Paddumghar, Rajhcote, Surjacote, with the lands dependent on the said forts" were ceded in perpetual sovereignty. (Annexure A.) The reason given for this cession was that British trade was hampered by the piratical depredations formerly practised by the Rajah of Kolhapur's subjects. The next Article of the Treaty provided that Kolhapur shall not employ any armed vessels or "permit any armed vessels to be fitted out at or to enter any of the Sea ports which may remain in His Highness' possession after the cession of the places before mentioned." The East India Company further reserved to itself the right to search all vessels sailing into or from the said ports to find out if they carried any arms. Kolhapur also agreed to permit agents of the Company to reside in Kolhapur's ports "for the purpose of ascertaining the state of all vessels lying in such ports." (Article 6 of the Treaty.) Article 7 is also based on the fact that the Kolhapur State still was in possession of maritime ports. A reference to the history of Kolhapur shows that the only places which could thus be referred to by Articles 6 and 7 as then remaining with Kolhapur consisted of a large plot of ground on the sea coast which even to-day

continues the property of the Kolhapur State. Apart from the justice or otherwise of Kolhapur being forced to give up the harbour mentioned above for the purpose of securing British trade against the piratical depredations of a former age, under threat of refusing to prevent the Peishwa who was then in power from committing ravages in the territories of Kolhapur, it is obvious that the Treaty of 1812 contemplated the continuance of Kolhapur as still possessing maritime facilities which she was free to utilise or develop without menacing British trade. As I have said above, the State still possesses a small sea board near Malwan, the sovereignty over which, as would appear from Articles 6 and 7 of the Treaty, was not then ceded and has never been since then ceded by the Rulers of the Kolhapur State. This tract of the sea board was used for manufacturing salt up to 1880. The lands were let out and are let out even to-day to tenants. The Government has apparently taken advantage of the absence of efficient conduct of administrative affairs in Kolhapur between 1822 and 1844 and the subsequent minorities which also covered the whole period up to 1880, to assert that the Kolhapur State never possessed any sovereignty rights over this tract and when the Government itself was acting as trustees for the Rulers of Kolhapur during their minority, it decided, against the protests of the State Karbhari who was its own nominee, and the protests of their own Political Agent, that the Government was entitled to prohibit the manufacture of salt carried on till then, on the ground that Kolhapur was no more than a private landlord in respect of that area. The injustice of a clear misinterpretation of the Treaty of 1812 of ignoring the fact that the same Treaty left the Sovereignty over this maritime tract to the State, and of deciding the issue against the State at a time when the Ruler of Kolhapur was a minor and the Political Officer himself objected to the action, requires no demonstration. Even if the sovereignty over this tract is not now restored, as the State claims it should be, it is but fair to claim that the State should be compensated for the loss of its right to manufacture salt and for the denial to it of freedom to develop the place into a harbour for importing and exporting goods into and out of its territories by giving the State its share of the customs revenue and the salt revenue at present appropriated by the Government of India. The claim of the State to this share becomes stronger when based upon this special ground in addition to the general grounds of justice and fairplay urged by the State along with the other inland States of India.

Another aspect of the customs duties must be urged at this place. It is not only a share of the revenues which the States demand, for those duties are not merely revenue duties. They are of the greatest importance as protective of the industries in the country including the Indian States. The States all told form a one third of India in area. Broadly speaking therefore the States have a proportionate interest in the industries and commerce of the country. Whenever questions affecting this commerce and industry are considered by the Government, the States should also in justice be consulted. The proposals before the Government of India and its Legislature may affect the industries and commerce of the States either favourably or adversely. At present they have simply to leave the decision to the

Government of India which in part consists of the two Houses of the Legislature with a large representative element in it. It was a slightly different matter as long as these questions were determined from London or by the Government of India acting under the directions of the Secretary of State for India. Now that the situation has considerably changed and the convention has been accepted that, in all fiscal matters, the united will of the Legislature with its large elected element and the Governor-General in Council with Indian members exercising considerable influence shall prevail. If therefore the people of British India have a potent voice in the determination of fiscal questions—and the States do not object to it—it is but right that the States should also have an effective voice in their determination to the same extent as those decisions affect the people of the States.

In the course of the Committee's question No. 5 an enquiry is made as to whether the State would be prepared to abolish its own import and export duties. The answer is already given that such duties have been made impossible under circumstances described above. In 1855 which was immediately after the abolition of these duties by executive order of the Government during minority in respect of some of those duties,—an order which was later on converted into an Agreement in 1886—the loss inflicted on the State by this abolition was Rs.12,499. The approximate import and export of articles in maunds about this time, as we know from Major Graham's Statistical Report was 12,600 and 87,620 respectively and on these imports and exports the State used to derive a revenue of about Rs.12,000 and odds from these duties alone. In 1925-26, 14 lakhs of maunds were imported while 13 lakhs of maunds were exported by railway alone. These figures would give some idea of the loss which the State has suffered by the abolition of its import and export duties. Roughly 27 times the amount of revenue lost in 1855 is being lost now which would mean a loss of at least Rs.3,37,500 a year. Including the other taxes abolished by the Agreement of 1886, which then brought to the State Rs.23,000 a year, and calculating the loss on the basis of the increase in traffic since then, the loss would appear to be still greater and might easily amount to Rs.5 lakhs a year. Then, again, if the loss is calculated at the very high tariff rates which have been adopted on the ground of protection in British India now, the extent of loss would not be less than double this amount. But I must make it quite clear that the Durbar does not wish that these duties on inland traffic should be revived by this or any other State. They are a great inconvenience to the public and would be a double taxation on their people. The point of the argument is that this State with others has suffered quite a heavy loss on account of the Free Trade policy of the Government of India who imposed it on the States and if by changing that policy the Government is drawing a large revenue, the States which have suffered ought to have their losses made good by being allowed to share the profits.

Until recently, the States were allowed to import some articles for the use of the State free of import duties. But in 1914 this was put a stop to without any reasonable excuse. After the Princes had protested, the Government has conceded this right of duty free imports of articles meant for the personal use of the Ruler. If the

right of the Princes to import articles of personal use free of customs duty is admitted, the States have still more reason in demanding the same right in respect of articles imported for their use. In fact, the distinction made between articles for the use of the Prince and those for the use of the State is itself not a very clear distinction. A Ruler may have 20 motor cars, all of which he or his family or his personal servants may use. But being purchased out of State funds, they may be used some times for State purposes. By what criterion a car is to be described as for the personal use of a Ruler as distinguished from the use of the State, it is not easy to see. Even if a distinction could be made, the State as such has at least equal claims on the concession, if a concession it be. The distinction should be therefore be abolished and all articles imported by the State for use and not for commerce should be exempted from import duties.

It has sometimes been suggested that the demand for a share of the customs and similar revenues collected partly from the people of the Indian States should be assumed to have been met by the fact that the Government of India bears the whole burden of the defence of the country, including the States, from foreign aggression. This argument completely ignores the provisions of Treaties with the States and the fact that the States have expressly ceded territories to the Government of India in return for the defence of the States from all kinds of aggression. For example, Article 8 of the Treaty of 1812 with Kolhapur says that "in consideration of the cession of the harbour of Malwan and on condition of the effectual suppression of piracy, the Honourable Company engages to guarantee such territories as shall remain in the Rajah of Kolhapur's possession against the aggression of all foreign powers and States." This absolves the State of all responsibility for the military expenditure of the Government of India and therefore every advantage, financial as well as economic, to which the remaining territories of the States are entitled must in fairness be conceded.

ANNEXURE A.

TREATY OF 1812 BETWEEN THE KOLHAPUR DARBAR AND THE BRITISH GOVERNMENT.

Articles of Agreement concluded between the Rajah of Kolhapore and the Honourable Mountstuart Elphinstone, Resident at Poona, on the part of the British Government and accepted by the Rajah of Kolhapore on the 1st of October, 1812.

Article 1.

There shall be perpetual peace and friendship between the allied Governments of the Honourable Company and His Highness the Peishwa on the one part, and His Highness the Rajah of Kolhapore on the other.

Article 2.

The Rajah of Kolhapore, on his own part and on that of his heirs and successors, hereby renounces all right and claim of whatever description on the districts of Chikoree and Manowlee, and all dependencies which have hitherto been comprehended in those districts. The districts aforesaid are henceforward to belong in absolute sovereignty to Rao Pundit Purdhaun Peishwa Bahadoor, his heirs and successors.

Article 3.

All the forts and country taken in consequence of the wars occasioned by the disputed claims to Chikoree and Manowlee from the Rajah of Kolhapore, within the last four years, i.e., since the month of September, 1808, and now occupied by the troops of Rao Pundit Purdhaun Peishwa Bahadoor shall be immediately restored to the Rajah of Kolhapore.

Article 4.

The Rajah of Kolhapore hereby renounces all other claims of whatever description on Rao Pundit Purdhaun Peishwa Bahadoor, and on all and every part of his dominions, with the exception of the new conquests mentioned in the third Article; His Highness the Maharajah likewise renounces all claim upon Nepaunee: His Highness the Rajah of Kolhapur hereby further renounces all claims of whatever description on all the Peishwa's subjects of whatever rank and denomination.

Article 5.

For the security of the British trade against a renewal of the piratical depredations formerly practised by the Rajah of Kolhapore's subjects, the Rajah of Kolhapore hereby agrees, on his own part and on the part his heirs and successors, to cede to the Honourable Company in perpetual sovereignty the harbour of Malwan, that is to say, the fort and island of Sundudroog or Malwan, and the forts of Puddumghur, Rajhcote and Surjacote, with the lands dependent on the said forts, and the British troops shall immediately be put in possession of the said forts and their dependencies.

Article 6.

His Highness the Rajah of Kolhapore engages, on his own part and on that of his heir and successors, never to employ any armed vessels, or to permit any armed vessels to be fitted out at or to enter any of the seaports which may remain in His Highness's possession, after the cession of the places before mentioned, or which he may hereafter acquire; and the Rajah agrees that the Honourable Company's vessels shall have the right to search all vessels that may be in the said ports, or that may have sailed from them; and that if any arms are found in vessels so searched, the said vessels shall be lawful prize to the Honourable Company. The Rajah further engages to permit agents on the part of the Honourable Company to reside in all ports in his

dominions, or which may hereafter fall into his hands, for the purpose of ascertaining the state of all vessels lying in such ports, and to permit the said agents to search the said vessels.

Article 7.

If any ship bearing the British flag, or furnished with a British pass, or belonging to the allies of the British Government, should hereafter be put into the Rajah of Kolhapur's ports, or be driven by stress of weather, or any other cause, upon his shores, His Highness the Rajah of Kolhapur engages on his own part and on that of his heirs and successors, that all practicable assistance shall be rendered to such vessels. And the Rajah further agrees that no claim shall be advanced by himself or any of his subject on any vessels belonging to whatever nation that may be shipwrecked or driven by stress of weather upon his shores.

Article 8.

In consideration of the cession of the harbour of Malwan, and on condition of the effectual suppression of piracy, the Honourable Company engages to guarantee such territories as shall remain in the Rajah of Kolhapurs' possession against the aggression of all foreign Powers and States.

Article 9.

With a view to the full execution of the agreement contained in the foregoing Article, His Highness the Rajah of Kolhapore, on his part and on that of his heirs and successors, engages not to pursue any measures of hostility against foreign States without the previous consent of the Honourable Company; and if any differences shall in future arise between His Highness his heirs and successors, and any foreign power or State, the Honourable Company shall apply themselves to the adjustment of such differences conformably to justice and propriety; and His Highness the Rajah of Kolhapore agrees that whatever adjustment of such differences the Honourable Company shall determine, His Highness shall acquiesce in and abide by. His Highness the Rajah of Kolhapore, on his part and on that of his heirs and successors, engages not to urge any claims on foreign States which may have originated previously to the date of this agreement. Should the conditions contained in this Article not be fulfilled by the Rajah the eighth Article is to be considered null and void.

Article 10.

And whereas various demands subsist on the part of the Honourable Company against His Highness the Rajah of Kolhapore in consequence of depredations formerly committed on the trade of the Honourable Company and its subjects; the Honourable Company being convicted of the Rajah's inability to satisfy those demands, and of his sincere desire to prevent a repetition of the injuries formerly complained of, consents to relinquish all pecuniary claims and demands whatsoever against the Rajah of Kolhapore.

What is written in the above ten Articles is hereby agreed to.

Done at Curveer on the 24th of Ramzan.

TRAVANCORE.

The claim of certain Indian States to a share in the customs revenues raised in British India seems to rest upon the maxim that such taxes are properly utilisable for public expenditure in the territory where the incidence falls. This is apparent from a statement made on the 10th October, 1924, by the Dewan of Mysore in his address to the Representative Assembly:—

“Mysore has no voice in the levy of customs on foreign goods imported into the State and the entire customs revenue on the goods consumed in the State forms another indirect contribution by the people of Mysore to the Imperial customs revenues.”

Again, the memorandum presented before the Indian Fiscal Commission in November, 1921 by the Committee of Ministers of Indian States headed by Sir Manubhai N. Mehta, after making allusion to the maxim, expressed the view that—

“the sea-customs levied by the Government of India on goods passing in bulk to inland States or even on those that eventually find their way there are transit duties pure and simple.”

The memorandum proceeded to say that the levy by the British Indian Government of sea-customs duties deprives the States of a legitimate source of revenue. The Committee of Ministers suggested a solution in these words:

“The only possible answer and, indeed, the most satisfactory one, is that the net revenue derived from customs duties should be divided between British India and the States in proportion to their populations.”

Travancore accepts the general soundness of the maxim but deprecates recourse to a mode of distribution of the revenue on a mere census basis or by any other such rough and ready process which bears no relation to the consuming capacity of particular peoples or communities. Any general project which may be devised to implement the maxim correctly may prove acceptable; but the question presents itself with insistence whether any practical scheme can be evolved which can work fairly and evenly without conferring undeserved advantage on one of the partners or imposing a crippling disability on the other. The working cost of any elaborate procedure and the harassing details of its application may probably also be found to be insuperable obstacles. Upon the general question, therefore, the Government of Travancore find themselves unable to make more than an academic interest at present. However, the problem is mainly one affecting the inland States. As her position is different, Travancore considers herself justified in taking stock of her own position and in dwelling upon certain aspects of her relations with the Government of India in respect of customs arrangements and undertakings.

2. In 1865 an Interportal Trade Convention was entered into between the British Government and the Cochin and Travancore States for the removal of fiscal restrictions on trade between British India and those States. The acceptance of its terms in their entirety by Travancore was the result of the invocation of a clause in the treaty of 1805 imposing

an obligation on the Maharaja to act upon the British Government's advice. But the general principle, at any rate one of the principles, underlying it is the economic maxim adverted to above that whoever may collect the customs revenue it should ultimately go to the Government of the country whose people consume the goods from which the revenue is raised. Under this convention, so far as imports are concerned, goods which are the produce or the manufacture of British India or of the Cochin State, are allowed free entry into Travancore except tobacco, salt, opium and spirits, while British India and the Cochin State, in return, admit free of duty all goods which are the produce or the manufacture of Travancore, except salt, opium and spirits. Foreign goods which have already paid duty on import into British India or into either Travancore or Cochin are allowed to pass free on further transport to any of these territories with the exception of tobacco. As regards foreign goods imported *direct* into Travancore through her own ports the State has power to levy import duty, although she is obliged to adopt British Indian tariff values and rates of duty, while in respect of foreign goods which are imported into Travancore after payment of duty in any British Indian or Cochin port, this State is debarred from levying import duty. The consideration for the giving up of this duty is the receipt of an annual compensation from the British Government. The amount of compensation was reckoned upon the state of foreign import trade, i.e., of "Europe goods." The import duties on foreign goods entering Travancore at the time was Rs. 53,218 of which 75 per cent. or a sum of Rs. 40,000 approximately represented the duty derived from foreign goods first imported into British India and thence transported into Travancore. The British Government guaranteed this import revenue of Rs. 40,000 to the State so long as the duty on direct foreign imports collected by the State did not exceed Rs. 13,218; in other words, during any year in which the Travancore sea customs collections on imports from foreign countries did not exceed Rs. 13,218 the British Government undertook to pay Travancore Rs. 40,000 while, if in any year the collections exceeded Rs. 13,218, the excess amount was to be deducted from the above sum of Rs. 40,000 and the balance alone paid to Travancore. The effect of the arrangement is that the British Government recognised the principle and affirmed the right of Travancore to collect and retain her import duty on goods entering the State either through her own ports or through British India. There was no interference with this right in so far as foreign goods imported through Travancore sea ports were concerned beyond imposing an obligation on Travancore to adopt the British Indian tariff values and rates of duty. But there was a material alteration in procedure as regards foreign goods coming through British India. The British Government collected import duties on such goods and reimbursed Travancore up to a maximum of Rs. 40,000 setting off against that amount such duties as Travancore realised over and above Rs. 13,218 at her seaports. The foundation upon which the arrangement rested was that the total Travancore customs revenue from imports stood at Rs. 53,218. These figures became a fixed basis. The implication was that Travancore's consuming capacity in respect of foreign goods would remain as it was in 1865. During the past sixty years the interior and outlying parts of the country have been opened up;

a network of roads and bridges and the advent of the railway and motor transport by land and water have developed trade and commerce; the high ranges have become studded with estates yielding valuable commercial products; trade and manufacturing activities have vastly expanded; joint stock enterprise has advanced; and the unique progress of education in the country has not only raised the standard of living of the people, but has also fostered in them a growing appetite for foreign goods. The population has increased from 2,311,379 in 1875 to 4,006,062 in 1921. The total value of the external trade of Travancore now stands at Rs. 17.5 crores, the percentage of sea-borne trade to the total foreign trade being 32.02. The value of the import trade of the State excluding salt, opium, tobacco and spirits amounted to Rs. 28.53 lakhs in 1862-63 while in 1926-27 it has risen to Rs. 6.16 crores, the increase being over 2,000 per cent. The question naturally suggests itself as to where the import duty on goods to the value of the difference between 28.53 lakhs and 6.16 crores goes. The answer represents the diversion from the Travancore treasury of revenue which on accepted principles and admitted rights belongs to the State. A just appreciation of the position demands the acknowledgment that this is not the result of a departure from a principle or the setting aside of a right. It is merely due to the inadaptability of a fixed basis of computation to altered conditions. The need for a periodical revision was foreseen by the Dewan of the time who in his letter to the Resident No. 2900, dated the 8th September, 1865,* observed:—

“The most convenient arrangement would probably be to fix upon a certain sum, instead of making intricate calculations every year, the said sum, however, being open to readjustment if necessary at intervals of say five years.”

It is only fair that such a revision should be made periodically with due regard to the actual trade figures.

3. Another point bearing upon import duties generally is that, instead of conforming to British Indian tariff values and duty rates, Travancore may be allowed a discretion to impose such import duties as the circumstances of her case may require from time to time on an undertaking that in no case will the differential duty levied fall below that fixed by the Government of India for British India in respect of the same commodities. The object of this is either the protection of home industries or the imposition of a restriction directed against, for instance, injurious or deleterious foreign spirits intended for human consumption.

4. A specific provision exists in the Travancore Sea Customs Regulation, V of 1088, to the effect that goods imported for the use of the Government of the State are exempt from duty. In cases in which goods imported for the use of the Travancore Government are landed at a British Indian port owing to stress of weather or other unavoidable cause, such goods are not passed duty-free by the British Government, and the Agent to the Governor-General in his letter R. Dis. No. 2368/24, dated the 1st August, 1925,† wrote to say that the Government of India could not allow this concession to Travancore, although it had been enjoyed for many years, as it would commit them “to embarrassing

* Interportal Trade Convention Papers, p. 254.

† Interportal Trade Convention Papers, p. 306.

liabilities in other parts of India." Usually goods ordered on behalf of the Travancore Government are imported only through her own ports, but on very rare occasions the necessity might arise for such goods to be landed at British Indian ports and it is on such occasions alone that the concession will have to be granted.

5. In the matter of exports, Travancore has very little to say. Under the Interportal Trade Convention, she has a free hand to impose and realise export duties subject to the restriction that the rate of duty shall not exceed Rs. 5 per cent. on the tariff value of ordinary exports, Rs. 10 per cent. of timber, and Rs. 15 per candy of 500 English pounds of pepper and betel-nut. It should be noted that Travancore within these limits readjusts her tariff values and rates of duty to the varying circumstances of trade in regard to the commodities exported from the State. This State is fortunate in producing raw materials which are either monopolies or partial monopolies, or for which foreign buyers have for reasons of quality or otherwise a preference over similar commodities produced elsewhere. Travancore is strongly of opinion that her right to levy export duty should remain unimpaired and that the entire revenues she realises on this account should be retained by herself for public expenditure in the interests of her peoples.

6. The Government of Travancore further consider that they should be allowed to determine the scale of export duties irrespective of the maxima fixed by the Interportal Trade Convention when considerations of protection render such a course advisable.

In the result, the Government of Travancore consider :—

- (a) That the broad principle may be affirmed that customs duties are properly utilisable for public expenditure in the territory where the incidence falls; but that it is open to question whether it will be possible to devise a scheme which will implement the maxim correctly and at the same time work fairly and evenly.
- (b) That, since the circumstances of Travancore are different from those of an inland State and since in acceptance of the broad principle customs arrangements and undertakings already exist, this State is justified in dealing with this question with sole reference to her existing arrangements and circumstances.
- (c) That, while advancing no claim to a proportion, however calculated, of the Imperial Customs revenues and while content with the broad features of her existing engagement, she would urge a readjustment of certain details of that engagement in fulfilment of its true intention.
- (d) That there should be a periodical revision, with reference to the actual trade figures and customs rates, of the amount of compensation payable to Travancore under the Interportal Trade Convention in respect of foreign goods which, having paid import duty in British India, are for that reason admitted free into Travancore.
- (e) That, in the matter of export duties levied by the State and retained in full for her own uses, there should be no change in the existing arrangements, and that, in view of the special circumstances obtaining in Travancore, her export or import duties ought not to be abolished.

- (f) That, on rare occasions when special protective imposts are necessary, Travancore should be at liberty by virtue of express provision for the purpose, to enhance the tariff values and duty rates ordinarily operating under the terms of the Convention.
- (g) That, except in so far as the recently enhanced rates of British Indian Customs duties do not enter into the calculation of the amount of compensation payable to her under the Convention, Travancore has no complaint to make upon the subject of this enhancement.

COCHIN.

(a) The discussion and decision of matters relating to customs may well follow the analogy of the German Zollverein or customs union and other similar organisations where the revenues have been distributed *pro rata* among the component States in proportion either to population or volume of trade or in some cases the amount of revenue. In the case of the Cochin State, two matters have to be borne in mind in dealing with the problem of customs.

(i) By an Interportal Trade Convention dated 1865 to which the Madras and the Cochin Governments were parties, the Cochin Government in consideration of abolishing all inland customs and foregoing some of the revenue derived from the tobacco monopoly, was allowed the privilege of sharing half and half in the customs receipts at the port of Cochin.

(ii) Under the Cochin Harbour Agreement dated 1925, it is provided that, in consideration of certain payments for the purpose of completing specific stages in the development of the harbour, and should the experiment prove a success, the net customs revenue should be divided between the Government of India, the Cochin Darbar and the Travancore Darbar. This agreement will govern the future relations between the parties and any allocation of customs duties or division of net customs revenue would be, so long as the agreement endures, subject to the conditions of the agreement.

These two circumstances have however to be considered as peculiar to Cochin as a maritime State and cannot affect the discussion or decision of the general topic of an equitable division of customs revenue between British India and the Indian States. It will be remembered that import duties were originally fixed at about 5 per cent., but now, and especially since the budget of 1922-23, the general customs duties have been raised considerably, so much so that for the year 1926-27 the estimated revenue from customs was over Rs. 46,40,00,000.

(b) The development of maritime States has to be dealt with differently from the others. Such States should be enabled to develop their ports on their own lines and adjust the rates and terms as to levy of customs dues under specific conventions with the Paramount Power. All States, maritime and inland, have however, got an equitable claim to a share of the imperial customs revenue on the ground

that revenue derived from direct or indirect taxation affecting any class of people is bound to be applied for their benefit in equitable proportions.

(c) The recent protectionist policy of British India is partly designed to stimulate the growth of and to remove handicaps on nascent and growing industries in British India. In regard to the States they have the indirect effect of raising the price of many articles and also reducing the taxable capacity of subjects of the Indian States. If a share of the imperial customs revenue is, as a subject of mutual adjustment, paid to the States, the States should be prepared to abolish their own import and export duties, always provided that there is a machinery devised for revision of incidence from time to time and with the safeguard that such a procedure did not involve an immediate or sudden loss of revenue.

It must be remembered that, in the main, the incidence of import duties falls on the consumer and that of the export duties on the producer. Sea customs duties levied by the Government of India on goods passing to inland States are thus mainly transit dues. One of the remedies that can be suggested is a division between British India and the States of the net revenue derived from customs duties in proportion to population.

The salt tax and petroleum tax are imperial imposts and should be taken account of in the general financial readjustment.

(d) The question of the exemption of certain Princes from payment of customs duties on articles imported for their personal use is bound up with the specific relations and covenants in this behalf between the Paramount Power and the Princes in question. The jurisdiction for it is, of course, the sovereign or quasi-sovereign rights of certain rulers; but this is a matter in which, if there is to be no uniformity of treatment, regard must at least be had to the economic importance of the State and its population and revenue. The present differentiation on the basis of the number of guns settled long ago needs revision.

JODHPUR.

(a) The State claims a share of, or some relief from the Imperial Customs Revenue, on the following grounds:—

- (1) The State is immune in theory and law from the payment of British taxation, yet the Sea Customs Duties of British India are a form of indirect taxation which embraces the subjects of its incidence.
- (2) This indirect taxation falls on the subjects of the State, and they do not share in the revenue thus derived. The tax, therefore, violates the principle universally recognised throughout the civilised world that the incidence and benefit of any particular tariff should be confined to identical territory.

- (3) The State having its own Import and Export Customs tariff, the subjects of the State have to bear the double burden of State duty plus British Indian duty on all goods imported from abroad, and on such of their produce as the Government of India may choose to charge an export duty, *e.g.*, hides, etc.
- (4) The State cannot regard this arbitrary levy of Customs duty from its subjects as a fair charge upon them for the security afforded by the Pax Britannica and military protection. The State's Treaty obligations to the supreme Government in respect of Defence are:—
 - (a) Rs. 1,08,000 Tribute (Treaty No. LIV Aitchison).
 - (b) Rs. 1,15,000 in lieu of a contingent of 1,500 horse (Treaty No. LVII Aitchison).

The Government of India have recently enunciated the new principle that a State should pay 15 per cent. of its gross revenues as contribution for Imperial Defence, either by cash subsidy or by maintenance of efficient troops.

The Jodhpur Darbar, in addition to the two Treaty payments stated above, has for nearly half a century maintained a military force for Imperial Service, the present cost of which amounts to about thirteen lakhs of rupees a year. With these large direct contributions to military defence (amounting, together with the cost of internal security forces, pensions, etc., to at least 21 per cent. of the gross revenue of the State), it is manifestly unfair that any further levy in the shape of Customs duty should be imposed on the State and its subjects.

- (5) The Government of India joined in the universal condemnation of Transit duties and successfully imposed that view on the States, with the result that one and all abolished such duties, yet the Customs duty levied by the Government of India at British Indian ports on goods passing to and from Indian States is Transit duty pure and simple, because the duty collected is credited wholly to the Government which collects them, and not to the country of origin or the country of destination.
- (6) The State of Kashmir in return for the abolition of Transit duty throughout its territories, has been allowed exemption from British Indian Customs duty on all goods imported from abroad and consigned through to Kashmir in bond. The Jodhpur State having similarly abolished its Transit duty at the instance of Government, asks for similar treatment.

In this connection the following passage written to Government by the Maharaja of Jodhpur in 1866, when he agreed to cede land for the present B.B. & C.I. Railway, is of interest (see Aitchison, Vol. III, page 173):—

“I wish you to know that I never disapproved of the railway; indeed, I feel how many benefits it will confer on Marwar. What I first wrote regarding the loss of Customs duties was founded on this, that very little

foreign goods are expended in Marwar, and that, besides salt, there is no other export of importance; therefore, the chief income of this State is derived from transit dues on articles which pass through it . . . and from the loss of this item my revenue will certainly suffer heavily."

- (7) The levy of British Indian Customs duty on goods imported into the State from abroad diminishes the taxable capacity of the subjects of the State and their economic stability, and lessens *pro tanto* the amount of revenue otherwise derivable from them. The State's power for the complete development of all its resources should be unfettered.
- (8) Even goods such as machinery, railway and bridging material, required for public purposes in the State are not exempted from Customs duty, a concession which is allowed to Provincial Governments in British India.
- (9) This question of refund or relief from the Customs duty is a matter which affects the welfare of the people and the development of the State and cannot be treated merely as a division of wealth between the Ruler on the one hand and the British Government on the other.

(b) (1) The recent raising of Customs duties in British India has adversely affected the State and its subjects. Previously, the State was not seriously affected by the British Indian tariff. Export duties were confined to goods not generally exported by this State, e.g., rice, indigo, oils and lac, and with scanty means of communication the lightly taxed imports were not a matter of much concern.

(2) The adverse aspect of the Customs duties became pronounced from 1917 on. A protest might then have been made but for the fact that at that time it was the desire of the State to place all its resources at the disposal of Government for the prosecution of the War, and the increased tariff was regarded as a temporary War measure.

(3) An attempt is made in the sub-joined table to show the extent to which the present high tariff in British India affects the State and its subjects. The table is for the year 1926:—

No.	Articles.	Quantities.		Price per Maund.	Total Value.	Total Amount of duty in round figures.
		Maunds.	Value.			
1	Cloth	—	83,37,000	—	83,37,000	9,17,000
2	Yarn	40,000	—	50	20,00,000	3,00,000
3	Kirana (spices) ...	80,000	—	60	48,00,000	7,20,000
4	Iron and steel ...	1,88,000	—	25	22,00,000	2,20,000
5	Minihari (manufactured articles except cloth).	—	17,51,000	—	17,51,000	3,85,200
6	Kerosine oil	46,000	—	10	4,60,000	71,900
7	Sugar	1,70,000	—	16	27,20,000	1,08,800
	Total	—	—	—	—	27,22,900*

* This figure does not include Rails, Engines and Stores imported for the Jodhpur Railway, the Customs duty on which average during the last 4 years Rs. 2,10,000 a year.

(c)—1. The Jodhpur State would hail the chance of relieving its subjects from the double burden of paying both the State and Imperial Customs duty as at present and would certainly discharge this task whole-heartedly to such extent as administrative needs might permit. But it is impossible for the State to enter into any agreement of the kind indicated in the question under reply and to surrender their right to levy their own Import and Export duties.

(2) In the first place, although the Jodhpur State is essentially an agricultural and pastoral country, its land revenue is only a fraction of the total revenue of the State owing to the irregularity of the rainfall. The land revenue income has, therefore, to be supplemented by other forms of taxation. Customs duty is the easiest of these to collect and, at the same time, has come to be accepted by the people as a standing method of taxation. Other forms of taxation such as are adopted in British India are unknown and it would be undesirable to introduce them. The whole taxation of the State is practically composed of this Customs duty which amounts approximately to a 5 per cent. *ad valorem* tax and this has hardly varied at all since its institution. The practical difficulty of abandoning this source of income is therefore manifest. If abandoned, it would have to be replaced by various forms of new taxation, the imposition and adjustment of which would create change and trouble for the population and the same for the State, to say nothing of expense. Moreover, though the Darbar has never exploited Customs Revenue to the extent that the Government of India have done, they recognise its elastic possibilities and prefer to keep this form of tax, to which the people are so well accustomed intact against times of financial stress.

(3) Further the Darbar see in the suggested surrender of their Customs rights in exchange for a stipulated payment, the possible birth of a situation akin to the position that has arisen over salt (separately represented herewith in reply to their No. 5 in the Questionnaire) wherein the Darbar surrendered all their rights in salt for a stipulated payment, which is open to reduction or even complete disappearance at the will of Government. A return to free-trade conditions in India, however unlikely, is a possibility of the future and this would reduce any stipulated share of Imperial Customs allotted to the Darbar to vanishing point. The Darbar prefer not to run the risk of such a fiasco.

(d) The claim to exemption from the payment of Customs Duty on articles imported for the personal use of princes or their families is based on the grounds of equality of treatment.

BANSWARA.

In the year 1818, when the British Government entered into the Treaty of Alliance with the Banswara State, the Darbar enjoyed full powers and rights of sovereignty over their subjects. But no provision regarding the Sea Customs Duties now levied by the British Government on the goods brought to Banswara could be embodied in the Treaty, as there were no railways and roads in India in those days.

Neither did the British Government appear then to levy Customs Duty on such goods in the manner as it now does.

Besides, the State of Banswara was a self-contained unit of supplies at the time and its import and export trade was insignificant. The point of Customs Duty was therefore not material at the time. In the years since gone by, the circumstances have changed. The easy sea routes, railways and airways have been established, leading to an enormous development of international communications and inter-commercial relations of the world. Banswara being a poor land-locked country could not keep pace with this evolution. The result of this has been that import and export trade of British India has overtaken Banswara, and the commerce and industry of the State have practically been annihilated. Excepting food materials almost all articles of consumption are nowadays imported generally from British India, on which the British Government levy very high duties. Their total revenue under head "Customs" for the whole of India is estimated at Rs. 50,18,37,000. Comparing the population of the States with that of British India it cannot be denied that at least one-fifth of this revenue is derived from the subjects of the Indian States including Banswara.

From a memorandum submitted by the Committee of Ministers appointed at the informal meeting of the Chamber of Princes in November, 1921, which has doubtless been submitted to the Indian States Committee, it will be seen clearly that if justice is to be done to the subject, the British Government should recognise the claims of the Indian States to share the Imperial Customs Revenues with them.

It is admitted on all hands of Economists of the World as an elementary principle of economics that the revenue derived from any taxation is a due of the Government whose subjects consume the commodities taxed. The reason is obvious. The taxation is a right of sovereignty. The British Government have recognised the principal Indian States as Sovereign States by solemn treaties. Therefore, taxing the people of those States in any form cannot but be the function of the rulers of those people. But the Indian States, situated as they are, surrounded by British India with a few exceptions, are in a precarious position to discharge this function. The situation of the Banswara State is still more precarious in this respect. It cannot prevent its subjects from paying the Sea Customs of the British Government. All Customs Duties on the goods imported into the Banswara State, which are levied by the British Government where those goods break the bulk, under this universal principle of sovereignty, should therefore be paid (after deducting collection charges) to the rulers of the States of those subjects. Because it is a dictum of international practice that a friendly Government, like that of India surrounding the territories of its friends and allies like Indian rulers, will never wish to levy taxes from the subjects of its allies, when they carry their goods through its country like British India into their States.

Formerly, the rates of the Customs Duties in India were not very high; while imports of the State were not very large. But the

scales have now been turned. The British Government have now raised Customs Duties very high and derive the revenues which are almost 30 to 40 times the revenue they used to derive from them formerly. Then the facilities of sea and rail transport now provided for British Indian trade are so great that the local industries and manufactures in the Indian States have under their stress of competition died away, which has swollen the British trade out of all proportions. And it is high time that the claims of the Darbar for refund of the Customs Revenue paid by their subjects are recognised by the British Government.

The population of the Banswara State in the last census, 1921, was enumerated at 219,824. It is regretted that no detailed trade statistics have been maintained. Yet comparing the figures of populations pro rata, and making an allowance for the poverty of the people, it cannot be denied that the incidence of this taxation on the people of the State must be much more than Rs. 1-8-0 per head; and the Darbar should not be deemed wrong if they claimed the refund of this amount to themselves.

JAISALMER.

(a) It will, in the opinion of the Jaisalmer Darbar, suffice, at present, as a preliminary step towards further progressive re-adjustment of fiscal and economic relations, if their subjects are accorded a right of way through British Indian Territory and if, in consequence, no duty is levied at British Indian ports on commodities imported from, or exported to, places outside India.

The existing system of levying duty on such imports and exports at British Indian ports, to which all traffic with foreign countries is, at present practically confined, is detrimental to the interests of the State and its subjects as it precludes the possibility of any appreciable expansion of traffic.

All duty on goods produced in, and exported from, as well as on commodities imported into, and consumed in, Jaisalmer, is leviable by, and payable to this Darbar.

Principles of equity, considerations of fair play and of Treaty Relations, subsisting between this Darbar and the Paramount Power, demand the abolition of all duty, which is being charged on such imports and exports, at British Indian ports.

(b) For reasons given in (a) *supra*, any raising of duty in British India accentuates the hardships of the subjects of the State.

(c) As said in (a) *supra*, all that the Darbar want, as a preliminary step towards fiscal readjustment, is exemption from payment of duty at British Indian ports on goods imported from, or exported to, places outside India. They are not prepared to abolish their own import and export duties.

(d) Jaisalmer is a Sovereign State and its ruling prince is a member of the Chamber of Princes in his own right. It will be but common courtesy if articles imported for the personal use of the ruler or the

members of his family are exempted from payment of any customs duty in British India. To show such courtesy will, the Darbar understand, be in keeping with the spirit of the Treaties, etc., on which their relations with the Paramount Power are based. (The attention of the Committee is invited, in this connection to the reply given to Question 5 (a) *supra*.)

PARTABGARH.

(a) The grounds on which the Partabgarh State would wish to claim a share of the Imperial Customs Revenue are based on the elementary principles of economics that the revenue derived from any taxation, is the due of the Government whose subjects consume the commodities taxed. The Partabgarh State consumes foreign manufactured articles imported into the State which have already paid the prescribed sea-port duties. It also exports its surplus products on which duty is chargeable at sea ports. The revenue derived from the sea-borne trade is entirely credited to the Imperial Customs Department for the benefit of the British India subjects only. As trader, consumer, and exporter of the commodities taxed at sea ports the Partabgarh State subjects would also seem to be entitled to a share of the Imperial Customs Revenue.

(b) The raising of duties have tended to raise the price of articles consumed by the State subjects in the same proportion as in British India. As the taxable capacity of the subjects has been reduced, taxes necessary for municipal, conservancy, sanitation and other administrative purposes are rendered difficult of imposition and thus the State has also been adversely affected by the raising of the duties.

(c) Since the right of the States to tax their own subjects cannot be questioned, the abolition of States' import and export duties cannot be made a condition precedent to an acknowledgment by the Government of the just rights of the States in regard to a share of the Imperial Customs Revenue. Before a decided reply can be given it would seem desirable to know as to what would be the revenue derived by the Darbar from its share of the Imperial Customs Duties. If it were to be below the figure derived at present from the State's import and export duties, the Darbar would not be willing to consider the question.

(d) As a matter of courtesy it is reasonable that rulers enjoying sovereign rights were allowed to enjoy exemption from the payment of Customs Duties on articles imported for personal use or for the use of family members.

RAMPUR.

(a) The States claim that portion of the Customs Duty which is levied by the Government on goods that pass into the States and are consumed there. The reasons are:—

- (1) That for purposes of the Sea Customs Act the States have always been treated as "Foreign Territory" and, as such, articles intended for consumption therein should not be subject to any duty under the provisions of that Act; and

(2) Import duties fall on the consumers who in this case are the subjects of the States and as the Durbars look after the well-being of their subjects they have the inherent right to tax them to provide ways and means. Customs duties which are import duties should therefore be shared both by the Government of India and the Durbars in proportion to the incidence on the populations of their territories. The justification for the Government to appropriate the *whole* revenue is wanting so far as the subjects of the States are concerned, and hence customs duties become transit duties when levied on goods *passing through* British India into the States. The Government have already condemned transit duties and secured their abolition by the Rampur Durbar in 1845.

(b) Figures are not available, but the imposition of heavy customs duties by the Government of India to meet expenditure necessitated by the Great War, has naturally affected the States and their subjects adversely.

(c) For various reasons the States would not like to give up their right to levy import and export duties. This right should not be affected by the receipt of a share in the Imperial Customs Revenue which is claimed on other valid grounds.

(d) On two grounds—firstly because the articles are consumed in the States, which, for purposes of the Sea Customs Act are "Foreign Territory," and the articles are not therefore liable to taxation, and secondly because *vis-a-vis* the British Government all the princes occupy an equal position. A distinction in such a matter is invidious and lowers the status of those rulers who are not exempt. All princes should *in their own right* be exempt from customs duties irrespective of their salutes.

BHAVNAGAR.

(a) I would not demand a share in the Customs. It is their direct revenue arising out of possession of their ports.

(b) As I do not demand a share, I have no desire to raise an academic discussion, but I recognize that any rise in duties affects British India and the States equally.

(c) No; not because I do not claim a share, but because the States cannot divest themselves of, or modify, their right to levy duty on their subjects for revenue purposes. The Kathiawar States never imposed land customs until the recent unfortunate impositions arising out of the situation that culminated in the imposition of the Viramgam line.

(d) On the same grounds on which exemption is allowed in existing cases.

COOCH BEHAR.

(a) and (b) The Regency Council have been unable to trace any previous correspondence with the Government of India regarding a State claim for a share of the Imperial Customs revenue, and it is therefore difficult for the Council to put forward any claim now. The Council, however, consider that if other States are granted a share of the Imperial Customs revenue the claims of the Cooch Behar State should also be considered on an equal basis.

(c) The State do not at present levy any export or import duties.

(d) The Regency Council in their letter No. 2048, dated the 12th March, 1928 (Appendix A), have already asked for the grounds on which certain Princes are exempted from the payment of Customs duties on articles imported for the personal use of themselves or their families. On the receipt of a reply the Regency Council would be in a position to make a claim if such existed.

APPENDIX A.

Copy of letter No. 2048, dated the 12th March, 1928, from the Vice-President, Regency Council, Cooch Behar, to the Commissioner of Rajshahi Division and Political Agent for Cooch Behar State, Jalpaiguri.

With reference to your Memo. No. 1074-J, dated the 9th March, 1928, forwarding copy of letter No. D. 299-I.S.C., dated the 1st March, 1928, from the Secretary, Indian States Committee, Camp, India, to your address, it is understood that Ruling Chiefs entitled to a salute of 19 guns and over are exempted from the payment of customs duties on articles imported for the personal use of themselves or their families. The Regency Council will be glad to know with reference to question 5 (d) on what grounds these Ruling Chiefs are given this exemption.

The information will enable Her Highness the Maharani and the Council to make a claim under this question if any such claim exists.

DHRANGADHRA.

(a) The claim of the States primarily is not for a share in the Customs Revenues of British India, but it is a claim for exemption from British Indian taxation of all goods intended for consumption by them or their subjects. The demand for a share in the Customs Revenues is made only as an alternative if the administrative difficulties attending a system of exemptions were considered insuperable. The grounds on which this claim is based may be briefly stated as under:—

- (1) The existing practice by which all goods passing through British Indian ports are subjected to Customs duties irrespective of their ultimate destination is opposed to all accepted

canons of fiscal science and the uniform policy of all civilised nations. It is the recognised principle of economics that the incidence of such taxation should fall on the subjects of the Government which receive the revenue, and this has been accepted as a guiding principle throughout Europe and America and the vast African territories under the sway of the various European Powers. It even seems to have been accepted by the Government of India in their policy towards the Maritime States of India in the free re-transhipment of goods allowed to them. There seems to be no valid reason why the Non-Maritime States should be treated on a different footing.

- (2) The subjects of Non-Maritime States are made liable to a double taxation, which is most unfair not only in its immediate incidence but also as regards its more remote consequences inasmuch as it imposes a serious handicap on the development of trade and industry in their territories.
 - (3) The imposition of Customs duties at seaports on goods meant for inland States is in the nature of transit duties, which have been given up by the Indian States as long ago as 1863 A.D. in deference to the views of the British Government. If the practice of levying duties on goods merely passing through one's territories was unjustifiable in the opinion of Government, the Customs duties now levied at British Indian Ports on goods intended for territories outside British India, which are essentially of the same kind, should be equally unjustifiable. The hardship to the Inland States from the existing practice becomes all the greater owing to the way the system is worked, inasmuch as no concession is allowed by Government even in deserving individual cases, e.g., in the case of machinery and plant of a special type imported from abroad for industries which are altogether new to India and which are therefore not likely to compete with any existing works in British India.
 - (4) The existing practice involves a serious curtailment of the fiscal resources of the States, the taxable capacity of their subjects being already seriously drawn upon by the British Indian Customs Duties. The scope for direct taxation, e.g., taxes on income, etc., is in most States strictly limited. Taxes on consumption are the only available source for the expansion of their revenues, and with the possibilities of this source seriously reduced by the British Indian Duties, the difficulties of the Inland States in meeting the ever-growing demands for public expenditure may well be imagined.
- (b) The recent raising of Customs duties must inevitably adversely affect the States and their subjects, since the Tariff embraces many articles of ordinary consumption. It is also obvious that the protective duties must increase the cost of materials to which they apply, whether they be foreign or Indian in origin. The Dhrangadhra State has had personal experience of this in the erection of its new alkali works, for which it had to import constructive materials involving a huge capital expenditure. This is only one special case.

but it is clear that the increase in cost due to increased rates of duty extends really to nearly all departments of administration; and what applies to the State must equally apply to its subjects.

(c) The question whether the States would be prepared to abolish their own import and export duties on condition of receiving a share in the Customs Revenue does not really arise. Whether, in the event contemplated, the States would do away with or reduce their existing duties depends on the fiscal exigencies of each individual State, of which it is the sole judge. Exemption from British Indian duties or a share in the Customs Revenue cannot in any fairness be made conditional on the abolition of the duties levied by the States from their own subjects, unless it be the purpose (which is unthinkable) of the Government of India to trench on the internal autonomy of the States and to dictate to them how their subjects shall be taxed. The position is constitutionally unsupportable. It may be added that in Dhrangadhra State for one, the duties as at present levied are extremely low and are more of the nature of Octroi Duties.

(d) If the States are exempted from paying the British Indian Customs duties, the question of exemption for Princes personally does not require any consideration.

Under the present practice Ruling Princes enjoying a salute of a particular number of guns are allowed exemption for articles imported for their personal use. But the salutes have been fixed on no rigid principle and are modified in individual cases from time to time, and there are many Princes who have a just grievance that in the table of salutes they have been placed below some who are no better than themselves in the size and importance of their States or in the matter of their power or status. Exemption from Customs duties should be a privilege of the Princes of all full powered States, and as these are all members of the Chamber of Princes the exemption may very well go with the membership of this body.

JHALAWAR.

(a) The Jhalawar State does claim a share of the Imperial Customs Revenue on the principle that the revenue derived from any taxation is the due of the Government whose subjects consume the commodities taxed.

(b) The recent raising of the Customs duties has naturally enough affected Jhalawar and its subjects adversely, but, as no arrangement had unfortunately existed up to now to keep elaborate records of the different manufactured articles imported into Jhalawar, it is regretted that facts and figures cannot be quoted at present.

(c) The Jhalawar State is not prepared to abolish its own import and export duties, except on its own initiative.

(d) Princes entitled to a salute of more than a certain number of guns already enjoy exemption from the payment of Customs duties on articles imported for the personal use of themselves or their families. It appears, therefore, that the Government of India do

admit the principle that the Ruling Princes of India are not liable to British Indian taxation. His Highness is accordingly of the opinion that this invidious distinction between one Prince and another should be abolished.

JUNAGADH.

The position of Junagadh State in respect to customs is different from that of any inland State. The ports of Junagadh have been famous and have had an established trade since the days of antiquity. On goods landed at these ports the State has at all times in the past collected customs duty. The right to levy this customs duty had been valued by the State and the suggestion, which was made in 1865, that the same rates should be levied at Junagadh ports as were being levied at the British ports, was rejected by the Junagadh Darbar. Free trade between Kathiawar ports and British India was put a stop to in 1904 when land custom was established at Viramgam. Various proposals were then made, the acceptance of which would have secured the removal of this land custom. The Junagadh State, in company with other maritime States, did not agree to a clause which required the customs administration to be handed over to the Paramount Power.

The services rendered by the State during the war and the atmosphere which loyal co-operation during it brought about, resulted in a relaxation of demand and an Agreement made in 1917 by which the ports of the Junagadh State were recognised as British ports, and the same rights were ceded to Junagadh as were given to Bhavnagar in 1866. This Agreement was set aside in 1927 and the cordon at Viramgam reimposed, in spite of the fact that all obligations imposed on the Junagadh State by the Agreement of 1917 were faithfully discharged by them. An appeal has been made by the State on the decision of the Government of India on the subject, a copy of which is appended herewith for information of the Committee. (Appendix XL.) In the body of that document will be found figures of the amount of customs duty collected at the principal port of the State on the scale of British Tariff, the surcharge which the State collects on all goods imported into the State by sea and land as well as the duty on goods consumed by the subjects of the States which has been paid at British ports.

The Junagadh Darbar have no desire to raise any large and speculative question as to the share of the customs duty collected by the British Government which should go to the Indian States. They are not so much concerned with the acquisition of any new sources of revenue or with the share of collections taken by the Imperial Government. In their opinion it is much more vital that the sources of revenue at present open to the State should not be curtailed in any direction.

In connection with the existing practice, the Junagadh Darbar draw attention to the fact that no consultation of any kind takes place with the Darbar with regard to the imposition of any tariff, protective or otherwise, in British India. The changes in tariff are communicated to

the Junagadh State in a formal and brief epistle which accompanies printed Tariff Schedules. A copy of such a letter is appended herewith as an illustration. (Appendix XLI.)

With reference to Junagadh, no concession has been ever asked for any goods required for the personal use of His Highness. This is a matter, perhaps, of no great pecuniary importance but it would assume weight if such exemptions were regarded as a privilege or as an additional mark of friendliness on the part of the Paramount Power.

With reference to Question No. 5 (c), the Junagadh Darbar are not prepared to abandon the local duty which they levy on goods imported into their territory by land and by sea but they would keep an open mind on the subject, if any definite proposals are formulated by the Paramount Power hereafter in which the loss imposed on the State by the abolition of the State duties is sought to be made good in some other definite manner.

APPENDIX XL.

To His Excellency the Right Honourable Edward Frederick Lindley Wood, Baron Irwin of Kirby Underdale, G.M.S.I., G.M.I.E.,
Viceroy and Governor-General of India.

Junagadh Palace,

11th January, 1928.

My Esteemed Friend,

Being dissatisfied with the decision of the Government of India to terminate the Customs Agreement entered into by this State in 1917 in regard to the ports of my State, I respectfully submit this representation in the hope that it will receive sympathetic consideration at the hands of Your Excellency.

2. When the decision of the Government of India to set aside the Agreement of 1917 was communicated to the representatives of the States at Mount Abu the Dewan, representing my State, lodged a protest (copy herewith). It was very disappointing that a decision of this nature should have been reached without any prior consultation and without the grounds, on which such decision was reached, being intimated to Junagadh, or the views of my administration being elicited thereon. It is regrettable that the Government of India decided not to utilise the opportunity of the conference for getting the views of contracting parties or for stating their own views as to what induced them to rescind the Agreement with Junagadh. I would respectfully urge that on this, as on other questions affecting arrangements between the State and the British Government, previous consultations are held as a time-honoured practice and some reasonable grounds for departing from decisions reached after long and anxious consideration are given. I consider this a valued privilege altogether apart from the subject-matter of decision.

3. It would be useful to recapitulate the history of the position in order to show that the Agreement reached in 1917, which it is now sought

to set aside, was the culmination of prolonged negotiations. During these negotiations the Junagadh State, while justly anxious to maintain full independence and freedom from interference, was willing to accede to reasonable conditions. The Administrator of Junagadh, an able officer from the Indian Civil Service, endeavoured several times to bring about a conference and general agreement, but, failing that, offered, in company with the Administrator of Porbandar, on 16th March, 1914, proposals approximating to the conditions set out in 1905 and far in advance of what was agreed in 1917 if the ports of Junagadh were placed on a par with Bhavnagar. Beyond a bare negative the Government of India could not then say why they were not ready to accept these proposals. But in August, 1917, the Government of India expressed their willingness to come to an agreement and this agreement was accepted on behalf of Junagadh by the Administrator in the following terms:—

“ I desire to express grateful appreciation of the offer made by the supreme Government and especially of the removal of the condition regarding inspection . . . I need not say that this Darbar will loyally abide by the conditions now stated and will take special care to secure rigid adherence to condition (iv) and to guard against smuggling of arms.”

4. In the Notification No. 1794-D, dated Delhi, the 22nd of December, 1917, it was declared that from 1st of January, 1918, the ports of Junagadh would be regarded as British customs ports.

5. A Notification, No. 37 of 1917, was issued by Junagadh which said:—

“ Whereas the Government of India have been pleased to extend the rights and privileges of British customs ports to the ports of Junagadh State and whereas the Junagadh State has agreed to levy at its ports not less than the minimum British customs rate of duty on such imports and exports by sea from and into foreign ports, i.e., ports outside British India including Cutch ports, and Aden, as are liable to duty at British ports.”

6. The Government of India reversed in the following Notification, No. 4801, dated 15th June, 1918, the prohibition of transshipment and of the payment of drawback on re-exports as applied to the ports of Junagadh in their Notification dated 7th May, 1879:—

“ In exercise of the powers conferred by Sections 49 (b), 111 and 134 of the Sea Customs Act, 1878 (VIII of 1879), and in modification of the notification of the Government of India, Customs, No. 77, dated the 7th May, 1879, the Governor-General in Council is pleased to direct that the ports in Kathiawar, with the exception of Jafraabad, shall be deleted from the list of ports in the said notification.”

7. Junagadh claims that by this Agreement it was placed on a par with Bhavnagar State and in support thereof would invite reference to the memo. from the Agent to the Governor, Kathiawar, dated 20th September, 1918, which runs as follows:—

“ The restrictions imposed by Government of India's Notification No. 77, dated 7-5-79, on certain Kathiawar Ports were removed by Government of India's Notification No. 4801 dated 5-6-18 published

at page 1195 of "Bombay Government Gazette," dated 27-6-18. The Government of India are however of opinion that free transhipment of dutiable goods to those ports should be restricted to goods carried by steamer only as is done in the case of the ports of the Bhavnagar State."

8. Further reference of the same kind was made in a memo. from the Agent to the Governor, Kathiawar, No. P/1, dated 6th December, 1918, which said:—

"The Notification of the Government of India in the Department of Commerce and Industry No. 1794-D, dated 22-12-17, confers on the maritime state of Junagadh the same privileges as have been conferred on Bhavnagar by the Notification of the Bombay Government No. 1180-D/26-6-1866.

"Subject to the limitation mentioned in para. 2 of Government of India's letter No. 4802-D/15-6-18, purport of which was communicated to the Maritime States except Jafrabad under Agency Memo. No. P/1D/20-8-18, the concession of the free transhipment of goods from Customs Ports has been extended to the ports of Junagadh."

9. It would thus be seen that the 1917 Agreement was a solemn understanding, placing Junagadh once for all on the same basis as Bhavangar State, the continuance of which was foreshadowed in the memorable words of the communication of the Government of India, viz., "The Governor-General in Council would be prepared to guarantee that such power would not be exercised so long as the States abide by the terms of the proposed agreement." The power referred to above is the power to collect duty on goods coming from or through ports of Junagadh. Junagadh has already lodged its protest against the proposed termination of this Agreement and I would now respectfully set out the grounds on which it is claimed that either the Agreement should be adhered to, or any arrangements made to suit the convenience of the Paramount Power should involve full consideration for the interests of Junagadh. The manner and method of such consideration is easily suggested by the treatment of goods coming through Bhavangar, and my State feels it as a peculiar injury that the treatment given to it should be different from the treatment given to Bhavangar though the same privileges were conferred on Junagadh in 1917.

10. The Junagadh State represented at the Mount Abu conference and would now reiterate that it has scrupulously carried out the terms of the Agreement of 1917. These terms are recapitulated below for facility of reference:—

- (i) "That the Darbars shall undertake to levy at all their ports *customs duties not lower than those enforced simultaneously at ports in British India by the Indian Tariff Act, 1894, as subsequently amended, and any other Act, prescribing imposts on the import or export of merchandise, e.g., the Tea Cess Act;
- (ii) "That they shall levy duty at rates not lower than those for the time being in force in British India on cotton goods or other similar excisable articles produced or manufactured within their territories;

*Note.—These customs duties will apply to all goods imported from Cutch.

- (iii) That they shall undertake to enforce the tests and regulations which are enforced at British Indian ports in compliance with the Indian Merchandise Marks Act and similar enactments;
- (iv) "That they shall absolutely prohibit the importation at their ports, of arms, ammunition and warlike stores, as well as of any articles in respect of which a prohibition against import is issued under competent authority;
- (v) "That the existing arrangements as regards salt, opium, spirits, and other excisable articles shall not be disturbed;
- (vi) "That the Darbars shall maintain accurate statistics of the trade passing through ports and shall place these statistics at the disposal of Government."

11. Junagadh claims that it has scrupulously adhered to these terms, not one of which has been broken in letter or spirit. This assertion was made at the Abu conference on behalf of the State and ought to have sufficed, but several recent notifications subsequent to the Abu conference induced the belief not only that the Government of India are desirous of terminating this Agreement for their own purposes, but that they are not satisfied that my State has carried out in a most careful manner all obligations arising out of that Agreement directly and indirectly. In the absence of any definite allegations I am placed in a somewhat false position of having to prove the negative and of demonstrating by means of concrete facts the absence of any justification on the part of the Paramount Power for treating the Agreement of 1917 as a scrap of paper. I do so respectfully fully conscious of my relations with the Paramount Power, but also in the absolute confidence that the Government of India could not desire to prejudice the interests of my State and subjects by any action of theirs which is opposed to definite understandings and stipulations and which is not supported by demonstrable facts and argument.

12. Apart from these terms the letter of the Agent to the Governor, Kathiawar, dated 26th August, 1917, spoke of the intention of the Paramount Power to cancel the Agreement in the event of the "creation of a port capable of accommodating large vessels." The largest vessel that has been accommodated at the port of Veraval was the s.s. "Juba" with a gross tonnage of 250 tons and with a draft of 11½ feet. This cannot by any stretch be construed as a contravention of the above provision. Another clause in paragraph 3 of the said communication speaks of "If any State at any time . . . grave maladministration so as to jeopardise imperial interests." I am very happy that no suggestion has been made either before the assembling of the Abu conference or at that conference or thereafter that my State has given any cause for complaint in this direction.

13. From the memorandum addressed prior to the Abu conference and the discussions which took place there, it is obvious that the Government of India seek to rescind the Agreement of 1917 on the ground that "fiscal interests have grown very important." In order to examine this allegation as against Junagadh, it would be necessary to set out in detail the growth of trade at Veraval port, the nature of the facilities which had to be created at that port to cope with this

growth and the improvements in communications by rail which brought about that growth.

14. The growth of trade at Veraval was not an unforeseen event in spite of contrary indications given by the representatives of the Government of India at the Abu conference. As early as 30th March, 1901, the memorandum from the Political Agent setting out certain terms spoke with reference to the maritime powers of "ensuring to them the benefit of any increase of revenue which may result, either from the general adoption of the British customs tariff or from the development of trade by the improvement of their ports and by the construction of railways, provided always that such development is not the result of any advantage gained by differentiation of customs duties over the trade at ports in British territory, and that Government are assured that all customs restrictions and facilities are equal."

15. Under his letter No. 7015, dated the 25th November, 1905, the Agent to the Governor in Kathiawar informed my late lamented father that the Government of India thought that the Viramgam Customs Line could be abolished with due regard to the fiscal interests of the Paramount Power, if the States (of which my State was one) concerned were willing to abide by the following conditions:—

- "(1) That the Darbars shall undertake to levy at all their ports customs duties not lower than those enforced simultaneously at ports in British India by the Indian Tariff Act, 1894 (VIII of 1894), and any other Act prescribing imposts on the import or export of merchandise, e.g., the Tea Cess Act;
- "(2) That they shall levy duty at rates not lower than those for the time being in force in British India on cotton goods or other similar excisable articles produced or manufactured within their territories;
- "(3) That they shall undertake to enforce the tests and regulations which are enforced at British Indian ports in compliance with the Indian Merchandise Marks Act and similar enactments;
- "(4) That they shall absolutely prohibit the importation at their ports of arms, ammunition and warlike stores, as well as of any articles in respect of which a prohibition against import into British India is issued under competent authority;
- "(5) That the existing arrangements as regards salt, opium, spirits, and other excisable articles shall not be disturbed;
- "(6) That the Darbars shall maintain accurate statistics of the trade passing through their ports, and shall place these statistics at the disposal of Government;
- "(7) That the Darbars shall agree to the periodical inspection by a Customs Officer in the service of the Government of the accounts and arrangements at their Customs House."

16. The omission of Clause No. 7 in 1917 out of regard for the feelings and wishes of the contracting States brought about an agreement, which might have taken place in 1905, but it also indicates that

there was no serious risk or danger to fiscal interests from the recognition of Junagadh ports as British ports in spite of the growth of population, communications and general prosperity which was inevitable in a prolonged period of internal peace.

17. Mr. Rendall, I.C.S., Administrator of Junagadh, considered the whole question of port development and said:—

“I would strongly advise the State to keep its port abreast of its railway development and to be sure that port facilities at Veraval are sufficient to ensure Veraval's place amongst Kathiawar ports. It is not a mere matter of prestige or money making. All agricultural states must develop other sources of revenue to the full and only by so doing, whether they like it or not, will they be able to hold their own in these times of increasing prices. . . .

“Merchants use the bandar where they can get quick despatch, honest handling and efficient supervision with reasonable levies. These are the factors we must aim at, and I think Bhavnagar and Jamnagar ports have lost ground for want of them. . . .

“The country craft trade is really the mainstay of the port, and country craft need facilities and protection combined. . . .

“My present conclusion is therefore that the State should now start excavation and a quay on the east side of the main breakwater at a cost of Rs. 3,21,900, and gradually extend this excavation and provide a right-angled side breakwater—items (b), (c) and (d) in para. 14 of the Report—and extend the main breakwater out to 900 feet, item (a), as I believe that must be simultaneously necessary. I have now sanctioned estimates for Rs. 3,21,900 as above and allotted funds for this work to make a start this year, and I hope the State will complete this soon and continue gradually, as funds allow, with items (a), (b), (c) and [(d) partially], of which the total cost is estimated about 17½ lakhs.

“As regards dock estate and other improvements, we are providing godowns this year at a cost of Rs. 75,000 and these should pay 7½ to 10 per cent. and are a magnificent investment and badly needed. Other small improvements are required to be made gradually and need not be set out at length here. They can be done as they are found necessary. One of these is in my opinion provision of some kind of water-supply by pipe-line. I should also much like to see some attempt made to bring the railway line on to the pier. I always thought this was intended and it would be a great convenience if it could possibly be arranged. The suggested tramway lines seem rather a clumsy substitute. The new slope will be better situated and also the new quay; but we do want the railway line alongside if possible.

“Other needs are facilities for landing passengers and sheltering them on shore. A small shed on the foreshore might also be erected for wet dates traffic. These are minor items which future working will, I think, show to be necessary.

“As regards interest on cost of improvements already completed and to be effected it is obvious that any exact calculation is very difficult, because originally and prior to improvements

and without them the port was and would be earning money. Much depends too on competition and on Railway and Customs policy. It seems hardly worth while to endeavour to justify or dissect any figures that are available. But there is no doubt that trade comes where facilities are given and that the railway and port are interdependent, and at present (1919) trade shows every sign of increasing, so that the revenue of the port will be Rs.3 lakhs instead of Rs.1½ lakhs. This is a fair increase in seven years, and we have to provide for the future both in the matter of trade expansion and public convenience. In my belief the maintenance by Junagadh of its present position as the premier State in the province does depend upon provision of all reasonable facilities in a spirit of progress and foresight. This was long ago recognised. Our present bandar scheme is no new undertaking. It has been on the anvil for more than 50 years. It is not a casual enterprise or a fad. It requires to be dealt with under a steady and gradual policy of improvement such as actual conditions and circumstances demand, with due regard to the financial position of the time."

18. On the occasion of my investiture with full powers on 31st March, 1920, Sir Evan Maconochie, the then Agent to the Governor, said:

"The open line of Railway has been more than doubled and construction of a line towards Una is in progress. An agreement has been concluded with the Baroda Darbar for the construction of a line between Talala and Dhari. The financial commitment is considerable but no better investment productive of direct and indirect benefit could be found. The integral railway working has greatly improved the percentage of earnings which now exceeds 7 per cent. on the whole open line. As regards efficiency of management and condition of permanent way and rolling-stock the Junagadh Railway need fear comparison with no other railway in Kathiawar.

"Conjointly with railway development facilities have been provided at the port of Veraval, at a cost of 4½ lakhs, in accordance with a scheme long contemplated, which can be extended gradually to meet the growing demands of trade and traffic. A recognized authority on port engineering recently expressed to me a most favourable opinion on the design and execution of the scheme. The income of the Port has risen from about a lakh to Rs.2½ lakhs and will surely expand together with the extension of the railway."

19. In 1922 at the time of the State banquet His Excellency Sir George Lloyd, the then Governor of Bombay, said:—

"It affords me the greatest satisfaction that I have, after so long a delay, been able to accomplish that wish to accept Your Highness' generous hospitality and to see and become personally acquainted with this, the premier State in Kathiawar. For these reasons Junagadh has a special interest for me, but perhaps even more so because of the special personal interest I take in an administration which was for some considerable period in the hands of officers of my own Government, and whose work was

well done. It must also inevitably be an abiding source of special interest to me to remember that it was during my period of office that Your Highness obtained his powers, and to watch the early, and as it seems to me highly successful, inception of what we all trust will be a long and fruitful reign. Let me therefore at once congratulate Your Highness upon the happy auspices under which Your Highness has taken up the burden of rule. Under your control is a wealthy and prosperous State, rich in natural resources and rich in a contented and industrious people, and the proposals for the Railway construction and for the expansion of the Port of Veraval, proposals which I have studied with the greatest interest, are evidence that Your Highness' admiration is determined to develop those resources on progressive and far-seeing lines. The results of that Port's improvement already show excellent results, for 12 lakhs expenditure are showing an average revenue of some 2½ lakhs per annum, and are likely before long I think to show even better results. In a tract of country such as lies within the borders of Your Highness' State, the importance of the development of communications cannot be over-estimated for its prosperity will depend upon the facility with which its timber and other raw materials can be exported and the accessibility of your internal markets."

20. Sir Geoffrey Corbett, in explaining the Government of India memorandum at the Abu conference, said:—

"The Government of India recognise the importance of the Kathiawar ports, and their value not only to the States immediately concerned, but also as a link in the communications of India as a whole. They may indeed be regarded as the natural outlet of the metre gauge railway system of North-West India, and their healthy development is in the interests of Indian commerce. . . .

"The Viramgam line was abolished at a time when trade by this route was relatively unimportant, mainly in order to avoid the inconvenience. . . . Meanwhile, however, trade by this route is yearly increasing; and in so far as this increase represents the healthy development of a new system of communications, it is in the interests of India as a whole that it should not be checked. . . .

"When the Agreement of 1917 was made, their interests were practically confined to the coastal trade. But now that foreign-going ships trade with Kathiawar ports direct, the position is materially different. Kathiawar has become a gateway of British India.

"The logical alternative to the reimposition of the land customs line is an arrangement that would limit the aggregate of the States' shares in the Customs collections to the amount leviable on goods consumed in Kathiawar States. In view, however, of the *opportunities that were given to the States in 1917 and of the extent to which the States have taken advantage of these opportunities* the Government of India are unwilling to insist upon a strict application of the principle stated above."

21. In judging whether the trade of Veraval has gone beyond its natural capacity, it would be necessary to find out whether it was up to its natural capacity before these controversies began. The truth is that communications and port did not receive as much attention as they deserved in Junagadh before the minority administration, and the port did not really attract the traffic which its geographical position and its economic sphere behind justified it. When the minority administration came this was realised and matters were put right and the development, which has since taken place, which is strictly within natural limits, appears large by sheer contrast.

22. The trade figures for Veraval port are as follows:—

Year.	Imports.		Exports.	
	Weight (Bengal Mds.)	Value (Rs.)	Weight (Bengal Mds.)	Value (Rs.)
1900-01	10,62,582	27,06,313	1,76,191	14,39,642
1905-06	5,23,623	32,28,015	2,18,224	19,04,071
1910-11	5,65,976	47,80,042	4,93,875	43,27,582
1913-14	6,72,175	53,76,214	6,58,500	57,58,569
1917-18	7,61,474	56,04,928	6,65,602	85,47,063
1918-19	12,75,809	94,83,399	3,40,382	91,74,378
1919-20	8,19,733	1,14,04,514	3,41,349	89,78,545
1920-21	11,11,865	1,06,97,071	6,45,083	94,55,958
1921-22	13,90,205	1,42,50,308	6,65,900	1,22,29,860
1922-23	14,73,168	1,33,89,335	7,86,428	1,72,91,275
1923-24	15,07,003	1,35,62,425	8,18,306	2,36,85,846
1924-25	12,81,329	1,14,28,741	7,60,099	1,73,37,286
1925-26	15,12,972	1,19,50,610	8,70,787	1,72,34,312
1926-27	18,85,247	1,22,36,029	7,92,937	1,15,94,341

23. It will be seen that exports have increased. This increase is in spite of a small levy of 2 per cent. on them by the State. The growth of export trade cannot possibly bring forth any suggestion from any quarter that there has been a temptation for collecting heavy duties and, therefore, there has been any artificial fostering of this trade. The expansion of exports is only the natural corollary of increased railway facilities and communications. Since improved facilities were created, the export of surplus produce, which was not finding its way out till then on account of prohibitive cost of transport and defective organisation, has been growing.

24. The expansion of the Junagadh State Railway will be seen from the following capital expenditure:—

Year.	Mileage.	Capital Expenditure. Rs.
1910-11	69.65	38,00,953
1913-14	113.42	60,37,611
1917-18	120.90	67,43,227
1921-22	140.46	87,87,679
1926-27	148.10	1,08,49,055

25. In the quantity of goods and passengers handled as well as in the return to capital at charge, the Junagadh State Railway does not compare unfavourably with most of the railway systems in British India. It cannot be, therefore, said that the construction of the railway was far in advance of the need, or that excessive amounts were laid out for this purpose. With due modesty I shall claim that the administration of the State Railway is in capable hands and that it has enhanced the amenities and added to the prosperity of the subjects of my State.

26. The capital expenditure at Veraval port has been as follows:—

Year.	Harbour Improvement.	Dock Estate.	Total.
	Rs.	Rs.	Rs.
1917-18	4,62,506	49,695	5,12,201
1921-22	14,54,872	1,12,657	15,67,529
1926-27	28,50,968	2,36,939	30,87,907

27. It is ridiculous to suggest that the above outlay is in excess of the standard of outlay at the large ports. Harbour facilities at small ports must always appear costly in view of the smaller turnover, but the following figures for the year 1923-24 for Veraval port in comparison with Bombay are instructive:—

Year.	Tonnage of cargoes dealt with.	Debt at the close of the year.
	Tons.	Rs.
Bombay ...	62,56,000	22,24,53,054
Veraval ...	85,420	30,87,907

28. As the expenditure incurred for Veraval has not been from a public debt, sinking fund and other accounts naturally are not kept, but as far as the figures go, they speak eloquently that the development of the port has not been in advance of the trade handled.

29. It will be noticed from the figures of trade quoted above that the bigger and more striking development is in export trade. The significance of this is that resources, which were hitherto undeveloped in the State, have developed and territories both in the State and in the centre of Kathiawar, which were not linked up with the world markets, have now found connections. This accession of wealth to the State has led naturally to an increase in the import trade also. This increase is partly the result of the improved standard of life of the population in the same manner as elsewhere in India. The trade of British India has also improved and has also grown over the same periods, but, judged by that standard the trade of Veraval port, catering for Junagadh and adjacent States, is still below the mark.

30. The improvement appears extraordinary as expressed in money merely because the purchasing power of the rupee has gone down. Prices rose in India even before the war since 1900 and the rise of prices was a matter of serious comment when the war broke out. The

war and the period thereafter has seen a further rise of prices and in spite of some fall registered recently, prices have not reached pre-war level.

31. One of the reasons for the increase of trade over this period is the increase in freight charges over the railways which diverted trade, which was hitherto done on the land route, to the sea. On this subject the Report of Administration of Indian Railways for 1922-23 says:—

“A surcharge was imposed on railway traffic in 1917 and enhanced in 1921 The surcharge remained in force up to the close of 1921-22 when it was replaced by a general enhancement of rates and fares which were brought into force from different dates on the various railway systems. This enhancement differed materially from the surcharge With effect from 1st April, 1922, these maxima were increased in the case of passenger fares by from 25 to 33 per cent. and of goods rates by from 15 to 25 per cent.”

I am not aware that, except in the case of coal, freights on Indian railways have been since reduced.

Besides this it is well known that since 1917 an acute shortage of wagons was felt by trade all over India and complaints with regard to this arose from all quarters for the following five to six years. This also may account for trade finding an alternative route by sea. An inference of this kind is perfectly justified in view of the fact that over this period the trade of most of the small coasting ports of India has increased. In this general phenomenon there was nothing, therefore, extraordinary, much less reproachful, in the increased handling of goods at Veraval port.

32. A further and very convincing proof of the fact that the trade of Veraval has been “healthy” and “within the natural capacity of the port” would be found in the figures of tonnage of steamers and country craft which have called at the port during the last few years.

STATEMENT SHOWING TONNAGE OF STEAMERS AND COUNTRY CRAFT ABRIVED AT VERAVAL FROM DIFFERENT PORTS SINCE 1917-18 TO 1926-27.

Year.	Steamers.					Country craft.	Grand total of tonnage entered.
	Bombay.	Karachi.	Java.	Other ports.	Total.		
1917-18	44,025	40,272	—	16,352	100,649	66,847	166,996
1918-19	66,359	39,305	—	20,503	126,167	58,091	184,258
1919-20	65,444	40,940	—	26,457	132,841	59,908	192,749
1920-21	61,323	38,532	—	22,932	122,787	67,646	190,433
1921-22	57,499	37,265	—	18,934	113,698	72,468	186,166
1922-23	53,027	35,920	—	18,009	106,956	76,460	183,416
1923-24	58,004	39,335	—	19,937	117,276	78,459	195,735
1924-25	56,109	36,537	—	14,272	106,918	80,169	187,087
1925-26	55,398	37,452	5,989	19,692	118,531	83,704	202,235
1926-27	54,020	36,330	14,697	26,918	131,965	87,643	219,608

33. It will be seen that there is not a serious or appreciable increase in the tonnage of steamers calling from Bombay and Karachi, disproving therefore Government's claim that their fiscal interests at Bombay are suffering through the activities at Veraval. The tonnage of steamers calling at the port of Veraval has not materially increased during the last 10 years. The increase has been, however, quite appreciable in country craft coming from various ports. It may be hoped that there is no jealousy in any quarter in British India of the trade of country craft, for which Veraval port is eminently fitted. The country craft's trade is primarily the coasting and distributing trade and it is in the fitness of things that Veraval should have a larger number of craft using that port. Further, it must be noted that for steamers the port of Veraval offers a convenience, which they do not get elsewhere, *viz.*, that they stand out into the main sea, saving time which is otherwise lost in getting into harbour or waiting for their turn for a berth. The increased handling of goods at Veraval might be looked for not so much in the increase of tonnage as in the enterprise of merchants and carriers, which has induced them to find out whether, while a ship is making a journey across, it may not call at Veraval, so conveniently located on the way, and take up or unload even a small cargo of two or five hundred tons.

34. The suggestion that the trade of Veraval port entrenches on the legitimate trade of British provinces beyond Viramgam is not borne out by facts. The nearest British territory beyond Viramgam is 187 miles from Veraval. This is a considerable distance and except for special traffic, for which the port at Veraval has a distinct advantage, there would be no inducement to merchants to cover this distance. *Primâ facie* there is no ground for any serious apprehension that Veraval would or could invade the trade interests of British India and thus endanger the fiscal interests of the Paramount Power. This is borne out by actual figures of goods booked beyond Viramgam during the last four years.

STATEMENT OF GOODS BOOKED FROM VERAVAL BEYOND VIRAMGAM INTO
BRITISH TERRITORY.

(Weight in Bengal Maunds.)

	1923-24.	1924-25.	1925-26.	1926-27.
Dates	109,965.20	82,490.16	82,241.29	28,054.24
Rice	555.00	804.15	116.20	34.20
Betel-nuts	1,203.20	1,211.15	1,193.38	454.29
Teel seeds	70.20	—	—	—
Cocoa oil	221.34	440.19	432.26	88.2
Fruits	8.00	—	3.20	—
Roasted rice	7.06	5.0	3.0	—
Pepper	0.20	—	—	12.0
Jardaroo	—	—	—	—
Gunny bags	66.20	70.30	75.10	317.10
Dhana	2.10	—	1.10	—
Gram dal	—	49.0	—	—
Ground-nuts	24.0	10.35	364.20	854.14
Chilies	1,817.5	6,841.26	10,536.35	2,714.25

STATEMENT OF GOODS BOOKED FROM VERAVAL BEYOND VIRAMGAM INTO
BRITISH TERRITORY—*cont.*

(*Weight in Bengal Maunds.*)

	1923-24.	1924-25.	1925-26.	1926-27.
Jawar	1,417.0	—	4,976.5	1,272.00
Cutlery... ..	—	—	—	4.10
Bajree	—	207.10	20,835.35	4,613.10
Methi	—	—	854.15	182.00
Mustard seeds... ..	5.10	7.30	2.00	2.25
Printed books... ..	—	—	—	3
Ghee	2,231.31	964.10	1,402.5	2,227.28
Kachura	—	—	—	2.27
Khadurroo	—	—	3	—
Soap	—	—	—	1
Soap-nuts	—	2.30	—	4.20
Turmeric	89	10.22	46.10	—
Machinery	47	6.20	276.20	2
Cotton-seeds	—	—	206	—
Sugar	1,499.25	134.20	2,503.25	—
Sugar-candy	116.25	—	—	—
Jagree	64	—	—	—
Wet skins	423.10	242.15	150.28	139.30
Furniture	—	3.5	—	—
Dry hides	98	53	24.10	87.20
Coir strings	71.30	146.24	230	58.35
Coir ropes	—	71.20	—	—
Cocoanuts	3	28	28.20	9.10
Copra	48	—	8.30	—
Tea	1.10	54.20	2.20	5.6
Coffee	1.5	—	3.20	—
Kokam... ..	12.20	174.30	47.5	31.25
Khara (C. Potas)	—	22	—	—
Printed paper... ..	—	5.20	10.10	—
Grocery	1.30	2	2.35	—
Rugs	5	—	—	—
Empty boxes and tins	—	47.35	136.38	119.8
Aluminium pots	—	—	—	3
Vegetable ghee	—	—	14.30	—
Tobacco	3.0	—	—	—
Pickles	—	—	—	1.20
Gokharma	1.20	11.24	—	35
Old books	—	—	1.20	—
Empty casks	59.18	—	—	—
Paint	5.30	—	—	—
Zinc seeds	3	—	—	—
J. P. Cotton	2,462.18	3,043.36	8,092.35	612.20
Honey	10	—	—	—
Piecegoods	1.22	—	—	—
J. seeds	1.15	—	—	—
Iron, manufactured	362.10	—	—	14.28
Suva	14	—	—	—
Fadua	33	—	—	—
Glass	2	—	—	—
Castor seeds	4.10	926	1,506	1,525.20
Jigs	7.30	—	2	—
Kamar Kakdi... ..	2.5	—	—	—
Empty cans	11	15.20	101.39	—

STATEMENT OF GOODS BOOKED FROM VERAVAL BEYOND VIRAMGAM INTO
BRITISH TERRITORY—*cont.*

(Weight in Bengal Maunds.)

	1923-24.	1924-25.	1925-26.	1926-27.
Sewing machines	0.30	—	—	—
Iron flasks	9	3	—	—
Nuts	—	17.12	—	—
Wal	—	12.20	—	—
Almond seeds	—	25	—	65.19
Medicines	—	3.32	—	0.30
Iron	—	1.5	1	—
Hosiery	2.20	—	—	—
Sundries	—	1.30	—	—
Sum	—	21.30	—	—
C. drug	—	6.9	—	—
Valo	—	—	2	—
Cotton	—	3.23	—	—
Khasemas	—	6	—	—
Grinding stones	—	4	—	—
Iron bars	—	2.10	—	—
Bedding	—	—	2.20	—
Boats	—	—	25	—
Wooden carts	—	—	15	—
Old sheets	—	—	5.10	—
Glass chimneys	—	—	13.33	—
Locks	—	—	0.18	—
Horns	—	—	17.20	9
Marble slabs	—	—	10	—
Slates	—	—	3.34	—
Castor oil	—	—	9	—
Rose flowers	—	—	1.10	—
Sand	—	—	—	5.20
Matting	—	—	—	—
Almonds	6.25	3.20	99.17	—
Colour	—	—	—	34
S. oil	—	—	—	—
Corid	—	40	—	—
Twine	—	—	—	—
Iron safes	—	—	—	—
Candles	—	—	—	—
Fish	10.0	16.0	20.25	28
Grams	—	—	—	—
T. dall	38.17	—	—	—
Salt	—	—	—	—
Iron	—	—	—	—
Onions	322.0	898.0	—	—
Oil-cake	—	—	—	—
Luggage	47.28	26.24	18.00	21
Rajagro	—	—	—	—
Samo	—	—	—	—
Fibour	—	6	2.15	—
Kodies	4.10	—	—	—
Gugal	—	—	—	—
Pepper	—	—	—	—
Cinnamon	0.30	—	—	—
Ahem	—	—	2.20	—
B. leaves	—	—	—	—

STATEMENT OF GOODS BOOKED FROM VERAVAL BEYOND VIRAMGAM INTO
BRITISH TERRITORY—*cont.*

(Weight in Bengal Maunds.)

	1923-24.	1924-25.	1925-26.	1926-27.
Twist	—	—	—	—
K. oil	—	—	4.20	—
Bran	—	—	—	—
Stone laddies	—	—	—	—
Timber... ..	162.10	—	—	900.0
Cinema kit	—	—	—	—
Cloth	—	0.25	—	6
Looking glass	—	—	—	—
B. oil	6.20	—	—	—
Raisins... ..	—	8.5	4	—
Benjamin	—	—	—	—
Baskets	—	—	—	—
Jira seeds	1.20	1.20	13.30	—
Cement... ..	66	—	—	—
Tarpaulins	15.38	63.30	9.20	—
Tiles	—	—	—	—
Soji	—	—	2.15	—
Wool	47.18	33.20	—	—
Bhangar	2.27	—	—	—
B. and C. pots	—	—	—	—
Hing	—	—	1.0	—
Total	122,806.6	99,311.22	116,733.2	44,561.13

35. Much of this, it will be seen, consists of produce of the State itself, i.e., of food and raw materials produced by the State. There is no manufactured article there worth mentioning and it is from the importation of manufactured articles that the British Indian authorities derive the bulk of their customs revenue. It will be further noticed that the article of some importance, which has gone out in this manner and which is not the produce of the State, is dates, which are imported into Veraval by country crafts from the Persian Gulf. Veraval is the nearest port to Basra and this is a trade, of which Veraval is and has been therefore the natural destination. It is an ancient trade with established trade connections and it has gone on for many years long before questions of tariff ever came into existence. This traffic has been a matter of great concern to the State from old times, as will be seen from the following official note by Mr. Rendall, I.C.S., Administrator of Junagadh, dated 29th August, 1917:—

“We shall now maintain our date trade—as we are the nearest port to this secured trade—and shall receive customs duty not less than the British rate instead of our small local levy at 1 9/16 per cent.”

A certain part of British India has always imported dates through Veraval port and it cannot be characterised as a matter of recent or unnatural growth. Attention may be further drawn to the fact that in the matter of dates the weight of consignments sent out has actually

been diminishing since 1923-24, a result contrary to what it might have been, had Junagadh taken the same trouble to foster their imports for direct consumption in British India.

A more precise statement of duties collected at Veraval on goods consumed in British India will be forthcoming in actual demand for refund when it is made, when it will be found that it is a mere bagatelle. But though the sum may be small, it is of some importance to a State like Junagadh. Incidentally it will show that there has been no "subsidy to the development of" Veraval port "from customs duty collected on goods consumed in British India."

36. The customs duties collected, which are a mere variant of the quantity of dutiable commodities, and the value in rupees, and the rate at which the tariff is collected, have increased, and the increase appears to be serious. But here again the rates of tariffs have increased from time to time. The principal increases were:—

37. A certain amount of duty has been collected over and above the British tariff rates and has been paid for by consumers of the State. The particulars are as follows:—

STATEMENT SHOWING INCOME FROM CUSTOMS DUTIES COLLECTED AT VERAVAL PORT INCLUDING THE PORTION COLLECTED IN ADDITION TO THE BRITISH TARIFF RATES.

Year.	Local Customs duty.	British Indian Tariff.	Total.
	Rs.	Rs.	Rs.
1900-01	65,105	—	65,105
1905-06	59,979	—	59,979
1910-11	71,557	—	71,557
1913-14	90,375	—	90,375
1916-17	1,09,582	—	1,09,582
1917-18	1,08,029	9,913	1,17,942
1918-19	1,48,062	43,439	1,91,501
1919-20	1,49,729	77,927	2,27,656
1920-21	1,97,595	74,846	2,72,441
1921-22	1,94,094	2,59,621	4,53,715
1922-23	2,09,467	3,37,473	5,46,940
1923-24	2,06,366	4,48,681	6,55,047
1924-25	2,41,650	7,16,413	9,58,063
1925-26	2,13,916	7,44,063	9,57,979
1926-27	2,39,276	5,17,781	7,57,057

38. The duty collected on goods transhipped from Bombay has been separately estimated for the year 1925-26 at Rs. 5,47,000.

39. This amount is not excessive. At rates and prices, which were prevailing in 1917, this amount would stand at the figure of Rs. 1,89,000.

40. Another method of judging whether trade has gone beyond the natural capacity of the port of Veraval would be by examining the figures of population, and this is done hereunder without, however, admitting the principle, which is accepted in the matter of excisable commodities, viz., that the realisation of customs duty should go with consumption. These figures, according to the census of 1921, were as follows:—

KATHIAWAR ...	2,538,497
Junagadh State ... 465,493	
States served wholly or partly by Veraval port 267,520	
	733,013
Jamnagar	345,353
Bhavnagar	426,404

41. It will be seen here that to the population of Junagadh, growing at a normal rate, is added the population, also increasing at a normal rate, of non-maritime landlocked States abutting on the territory of the Junagadh State and served by the railway system belonging to Junagadh as well as the direct continuations of that railway in several directions. The economic sphere of Veraval port embraces thus a

total population of 733,013. If the amount of Customs duties was estimated for this population on the same basis as the Customs duty of British India, it will bring in a sum not less than Rs. 14,31,665. This is without reference to the place of Veraval as an inlet and outlet for places further inland including places in British India. Until the amount of duty collected exceeds far beyond this figure, there is no room even for the discussion as to whether the fiscal interests in Junagadh have grown.

42. Apart from this, even if account is taken merely of goods imported from abroad, which have paid duty at Veraval port and which are sent by land into British India, the quantity is negligible compared to the goods which have paid duty at British ports or at other ports and which are imported into Junagadh. The amount of goods coming into Junagadh by sea, which do not pay duty into Junagadh ports, but pay duty to British India, has been calculated and the loss of duty from this account alone to the State was as follows:—

STATEMENT SHOWING TOTAL IMPORTS INDICATING DUTIES COLLECTED AT
VERAVAL AND DUTIES COLLECTED ELSEWHERE AND LOST TO JUNAGADH.

Year.	Weight (Bengal Mds.)	Value.	Duty collected.	Duty lost.
		Rs.	Rs.	Rs.
1918-19 ...	1,275,809	94,83,399	1,65,746	1,21,727
1922-23 ...	1,473,168	1,33,89,335	4,72,638	5,57,953
1925-26 ...	1,512,972	1,19,50,610	8,74,515	2,42,842

43. Similarly an attempt has been made to secure particulars of dutiable goods booked to Junagadh stations from British India by rail, but on which duty has been collected elsewhere. The loss of duty to the State from these is indicated below:—

Year.	Weight (Bengal Mds.)	Value.	Duty collected.	Duty lost.
		Rs.	Rs. a.	Rs. a.
1924-25 ...	96,989½	38,42,458	38,455 3	5,41,633 13
1925-26 ...	72,302	24,64,568	24,746 0	3,31,171 0

44. It will be thus seen that even on the very narrow interpretation of the doctrine, which has been frequently mentioned, viz., that the benefit of Customs duty should go by consumption, Junagadh is entitled to a lot more than it receives at present and, therefore, any demand for immediate surrender of any portion of the duty collected is not justified. A port does not necessarily serve its immediate vicinity. It has its own economic sphere irrespective of political boundaries. The case of Junagadh is sufficiently strong in itself without deriving any benefit from a reference to this larger question, but it does not come with good grace from British Indian authorities,

who are collecting practically all the Customs duties on goods consumed in interior landlocked States, to say that Junagadh should not do so at its own port. Rulers of Junagadh consider the geographical position of Junagadh as one of their most valuable assets and Junagadh as such entitled to all the natural advantages of this location as a maritime State. I respectfully urge that my State should not be deprived of any of these advantages without a serious reason.

45. In this way it will be seen that the suggestion that the State has been increasing its fiscal interests at the expense of British India cannot stand. What has actually happened is that the subjects of the State contributed to British Indian Customs for very many years large sums, to which the State was justly entitled. When, however, under the aegis and at the suggestion of British officers and with every encouragement from His Excellency the Viceroy and the Governor of Bombay and others able to speak in the name of the Paramount Power, the trade of Veraval has grown on natural lines and strictly within the natural capacity of the harbour catering for the wants of those who come within the economic sphere, the suggestion that the fiscal interests of British India are endangered is scarcely justified. The rescinding of an important agreement on this fallacious suggestion, which no one has been able to prove and which stands definitely disproved by the facts mentioned above, is an injury to the interests of Junagadh which I feel the Paramount Power could never have intended.

46. It should not have been necessary for Junagadh to prove that there was no growth of trade or fiscal interests, which would excite comment from or apprehension of the Paramount Power. We find in the report of the conference Sir Geoffrey Corbett saying, with reference to the choice of the year 1925-26, that "that was of course intentional." "The year 1925-26 was taken because that was the last year before the change in conditions became so acute as to compel Government to invoke the fiscal interests reservation in the Agreement of 1917." It will be noticed that the duties collected at Veraval port had reached a high level already in 1925-26 and that in the year 1926-27 they stood actually lower than the figure of 1925-26 by Rs. 2,00,022. If there was no need for invoking the reservation of fiscal interests against Junagadh before 1925-26, there was no need of invoking it at all. This is further borne out by the official report of the conference by Government of India representatives when they said:—

"In that case in the event of a financial agreement being reached with Nawanagar, we should have recommended that the line should not be reimposed at all on the ground that the fiscal interests were no longer very important in view of the settlement made with Nawanagar."

47. On a careful study of all the documents and of what has fallen from Government, it would appear that the Government of India insist upon looking at the problem of Kathiawar ports as a whole. In the letter of the Agent to the Governor in Kathiawar indicating the terms of the Agreement of 1917 the words used were:—

"The Governor-General in Council is prepared to guarantee that such powers will not be exercised so long as the States

abide loyally by the terms of the proposed agreement, unless the fiscal interests involved should in the future become so great as to render a revision of the terms of the agreement imperative."

In the letter from the Honourable the Agent to the Governor-General, dated 23rd February, 1927, addressed to me, it is said:—

"The Revenue losses of the Government of India owing to the diversion of trade through the Kathiawar ports have now become so serious"

In the letter from the Honourable the Agent to the Governor-General addressed to me, dated 11th June, 1927, it is said:—

" the creation of a port capable of accommodating large vessels or otherwise the fiscal interests involved should become very important. I am directed to say that the Government of India hold that this condition is amply fulfilled and that it has now become necessary for them to reconsider the whole position."

48. I may be permitted to take this opportunity of representing how this effort of the Paramount Power to deal with the whole problem of all the ports together has prejudiced the position of Junagadh from time to time. Anxious to maintain the integrity of its internal administration, Junagadh has always adopted a correct attitude. During the period of minority administration, Mr. Rendall, I.C.S., the Administrator, tried to bring about a general agreement, and on 16th March, 1914, offered on behalf of Junagadh to accept terms which were nearly akin to the terms of 1905 and which went much further than the terms of 1917. No agreement was, however, reached until Government were ready several years later. In 1917, the British Government, recognising the loyal services of Junagadh, entered into an agreement, but, unfortunately for my State, made similar arrangements at the same time with other States. In 1927, when other difficulties arose, Junagadh is again called upon to accept a sacrifice. Junagadh did not put itself in the wrong with the Paramount Power. It watched what was going on elsewhere and resisted every temptation to take any unfair advantage or find a loophole in existing arrangements for attacking the fiscal interests of British India. The reward of correct attitude in this manner throughout has been a very unfair offer if the State were prepared to hand over the customs administration to the British Government; failing that, a demand for refunding customs duty collected on all goods passing Viramgam into British India and the inevitable harassment to passengers coming from Junagadh territory into British India and the dislocation of the trade built up by the enterprise of the subjects of the State. This attitude of the Paramount Power inflicts a hardship, against which, on behalf of my State, I would respectfully protest. Junagadh, as is well known, has occupied the position of premier State in Kathiawar and has got precedence accordingly. This, again, arises from its historical position, and a survival of this is still seen from the Zortalbi tribute which the State is receiving from other States in Kathiawar. As such, I feel that Junagadh is entitled to a separate and individual treatment. But, instead of safeguarding the interests of the State, the Government of India are now acting in a manner which will

adversely affect the fiscal position of Junagadh. They have adopted measures, which may be proper in a policy of retaliation against a recalcitrant foreign power, but which in relation to my State have no justification at all. It is melancholy to note that the recent action of Government has created a chaotic condition in Kathiawar and has given rise to an undesirable and economically harmful policy of internal barriers and tariff war amongst the States and a scramble for whatever trade there is to be got in Kathiawar side of the Viramgam cordon. As a loyal State, my State has always been willing to accommodate itself to all reasonable policies established by the Paramount Power, but it is hoped that no impossible task will be sought to be imposed on Junagadh. But I beg that my State should not be drawn into any matters at issue between the Paramount Power and other States.

49. After most anxious consideration and a logical reading of all the papers that have emanated at the time and after the Abu conference, I am taking the liberty of stating the position as it appears to me. The Paramount Power, having come to the conclusion that it was necessary to "limit the aggregate of the States' shares in the customs collections to the amount leviable on goods consumed in Kathiawar States," decided that they should either impose the Viramgam customs line against Junagadh, or offer an arrangement which called upon the State to make a considerable sacrifice in many directions. It pains me to record that this sacrifice was not to be made in the interests of my State, nor again in the interests of the Paramount Power, but in the interests of another State. From the actual words of the representatives of the Government of India quoted above it is clear that the Viramgam customs line has been imposed because the Paramount Power could not come to terms with Nawanagar. The position, which Junagadh took at the time of the conference and which it has taken up since, is that so long as Junagadh has not given the same cause which Nawanagar has given, it should be allowed to remain in the same position as it was hitherto, viz., the position of a British port with full rights of transhipment and with freedom for goods landed at Veraval to enter British India without any demand for the refund of duties collected. Such a position the port of Bhavnagar enjoys already. In 1917, according to a notification already quoted, it was clearly mentioned that the same privileges as were enjoyed by Bhavnagar were conferred on Junagadh ports. The main difference in the new arrangement between goods coming from Veraval and goods coming from Bhavnagar is that the Government is making a demand for the refund of duties collected at Veraval. Such a demand is untenable until the State has given the same reasons as those which have induced such a demand from Nawanagar, or any other equally strong reasons. My representative at the conference offered loyally to co-operate in any arrangement which the Paramount Power sought to impose for its own benefit so long as the interests of my State did not suffer. That was evidently a just and reasonable request and in keeping with the sentiment expressed by the Government of India when they spoke of safeguarding "fiscal and other interests of British India and all similar interests of the States."

50. It is disappointing that notwithstanding this, paragraph 3 of Government's telegram dated 6th July, 1927, should say:—

"In return for these facilities the States must agree to pay to the Government of India the amount of duty received on goods, to which free passage over customs line on these certificates has been given subject to any adjustment that may be necessary after examination or reappraisal at land customs station, it being left to the States to recover on their own account short duty from merchants or refund excess duty to them in consequence of such readjustment. The Government of India suggest that payments by the States to the Government of India against certificates would conveniently be made monthly; this will secure reasonably prompt check on authenticity of certificates produced at land customs station. Upon hearing that any of the States concerned has agreed to this condition the facilities described in the previous paragraph will be extended at once to imports from that State. States should warn their merchants that until this is arranged consignments will have to pay duty at frontier."

51. The clear implication of this is that all trade would be held up and merchants made to pay duty unless they have those certificates and that these certificates would not be respected unless the States had agreed to recoup to the Paramount Power all that they have collected. Most respectfully I must state that this is both harsh and unjust. It is contrary to understandings which were reached. It is opposed to logic as applied individually to this State and all that was said by the Government of India representatives before and at the conference.

52. The State has acquiesced in this arrangement under protest and in the hope that the intervening period of time would either enable the Paramount Power to see the injustice of this as against Junagadh or enable them to settle their own outstanding matters with other States, whose attitude has caused the victimisation of an unoffending and loyal State which has hitherto been the premier State in Kathiawar and the leading Mussalman State in Western India.

53. It is not necessary to dilate at great detail on the evils of the Viramgam line. This was admitted as early as 25th November, 1905, in the letter from the Agent to the Governor in Kathiawar addressed to my late lamented father in the following words:—

"There is no doubt that the existing preventive land line is very irritating to all who live on the Kathiawar side of it, i.e., to the whole Province, and that it is also hampering to the general trade and industries of Kathiawar and by consequence opposed to the general welfare of the Province and its people."

54. The disadvantage to Junagadh ports was also expressed in clear terms in the representation of this State, dated 16th March, 1914, under the signature of the Administrator, Mr. Rendall, I.C.S.:—

"As regards the customs line, it is clear that non-maritime States are more adversely affected than ourselves; but in respect of trade we suffer very seriously, because there lie on either side of us Baroda harbours which have the privilege of British ports in respect of goods entering Bombay harbour, whilst much of our legitimate traffic in ghee and other such dutiable products already passes

through Bhavnagar ports in preference to our own. We are therefore convinced that both from the point of view of the general public and of these two States in particular, it is intolerable that the present system should continue. We trust therefore that the Government of India will be pleased to issue such orders as will place our ports on the same footing as Bhavnagar port, and on that understanding we are prepared on behalf of the States we represent to accept the principle of inspection, subject to the provisos stated in the following paragraph."

55. Sir Geoffrey Corbett, in explaining the Government of India Memorandum, said at the Abu conference:—

"The Government of India also recognise that internal customs lines generally tend to act as an impediment to commerce. . . . In so far as this increase represents the healthy development of a new system of communications, it is in the interests of India as a whole that it should not be checked. From this point of view, the restoration of the Viramgam line would be a retrograde step. We should endeavour, therefore, to find some solution which will not involve the reimposition of this barrier."

56. It is trite to speak of the evil of the Viramgam customs line, but the full effects of this imposition in actual practice go much further than merely the visible demand for a refund of duties collected at Veraval. The interests of trade suffer on account of the fact that businessmen who trade from Veraval do not trade in one article. Nor do they send their consignments to one party. The pooling up of trade in different articles and the making up of a wagon from different commodities is an ordinary phenomenon in commerce and the demand for documents of origin in respect of each separate consignment at present made by the land customs officers cannot possibly be met, with the result that there is both delay, inconvenience and loss, and that though it is settled that goods, which have paid full British rate of duty at Veraval port, would be passed free without let or hindrance, yet in practice fresh duty is demanded at Viramgam on these goods. Only a few months' experience—even a single unfortunate experience—is enough to deter a merchant from further activities and thus to dislocate trade built up after some effort by the subjects of the State.

57. Apart from this, the facility of passing goods free of payment at British customs station under existing conditions only applies to goods going into British India by land. For goods, which are re-exported from Veraval—and of these dates are a very important item and an ancient and established trade—even this protection is not given to the merchants who are forced, if they wish to move their cargo by sea from Veraval to Bombay, to pay duty a second time at Bombay. On the other hand, produce of British India, which is brought into Veraval port in country craft which ply between Veraval and eighty ports, for which either a certificate from us or a certificate of origin cannot be produced, is actually charged at full rates of duty at the Viramgam customs line. This is not merely a picturesque and theoretical possibility, but actual cases have occurred as applied to copra and cocoanut oil coming from Malabar ports and passing through Veraval into British India. Very important trade connections of Junagadh subjects with

Mehsana and other centres have thus been disturbed and the effect on trade of any such cases—even the exaggerated accounts of such cases which circulate amongst the merchants—is absolutely withering and scorching to genuine enterprise.

58. From the above it will be noticed that the concern of the State is not so much for entrenching on the British fiscal interests as for the prosperity of traders and of the subjects of the State in their legitimate and natural activities.

59. Apart from the dislocation of trade as indicated above, in the matter of re-exports of both country and foreign produce, for which the Junagadh ports offer a natural line of communication, a situation is being created similar to the situation which was complained of before the arrangement of 1917 was put into operation. The complaint at that time was voiced by Mr. Rendall in his communication, dated 16th March, 1914, in the following words:—

“As regards the customs line, it is clear that non-maritime States are more adversely affected than ourselves; but in respect of trade we suffer very seriously, because there lie on either side of us Baroda harbours which have the privilege of British ports in respect of goods entering Bombay harbour, whilst much of our legitimate traffic in ghee and other dutiable products already passes through Bhavnagar port in preference to our own.”

60. The present position is that the trade of Veraval went on expanding on reasonable lines till the year 1923-24 and since then activities elsewhere in Kathiawar have checked the growth. The effect was still more serious in 1926-27 when the customs collection fell from Rs. 9,57,979 in 1925-26 to Rs. 7,57,057 in 1926-27. In the condition in which the State finds itself it is only to the Paramount Power that they can look for relief and assistance as the solution of all inter-statal and international issues lies in their hands. If the fiscal interests of British India have suffered—and it cannot be alleged that they have suffered at the hands of Junagadh—then Junagadh has also suffered in almost identical manner. If the Paramount Power has been compelled to take steps, which would be characterised as drastic, in order to safeguard themselves, I would respectfully urge that it is their duty also to take steps which will safeguard the interests of Junagadh outside Junagadh where the State has no power of securing or compelling any arrangements.

61. It will be seen that the reimposition of the Viramgam line is not so innocent as it looks but bringing in its wake, as it does, the dislocation of trade, is opposed to not only the fiscal but other interests of Junagadh. Any violent fluctuation in the customs revenue of Junagadh is bound to affect the administration of the State, because adjustments have already taken place on the basis of a certain realisation. So long as Junagadh has not placed itself in the wrong with the Paramount Power in any manner whatsoever, the expectation that the Paramount Power will bear in mind in any arrangements, which they suggest, the interests of Junagadh, not only fiscal but administrative, is legitimate.

62. In view of the fact that at the Abu conference representatives of the Government of India laid special stress on the need of uniformity both in the rate of customs tariff levied at my ports as well as in customs administration with those prevailing in British India, I should like, before concluding this representation, to point out that on this

issue my State has always been alive. As early as 1907 a special effort was made to secure the basis of customs administration at Veraval port on the British model and for this purpose the services of a special officer from British India were requisitioned. In consultation with this officer the system, which was then introduced, has been subsequently continued, involving as it does, constant and frequent interchange of views between the customs officer at Veraval and the British customs authorities at Bombay and Karachi. All important rulings from these ports are sent down to Veraval and are noted and all decisions on complicated issues are governed by the spirit and the letter of similar decisions reached in British India. The outlook of my State in this direction has been correct throughout as will be seen from the fact that in 1914, when some suggestions were made with regard to the inspection of customs administration by a British officer, the then Administrator, Mr. Rendall, writing to the Agent to the Governor, Kathiawar, in his letter dated 16th March, 1914, said:—

“We must at the outset very respectfully point out that the present position of affairs appears to be misunderstood and that it does not warrant any general apprehension as to the administration of our ports and our capacity to appreciate and enforce sound principles of management in customs matters. The States of Junagadh and Porbandar fully realise the responsibilities that are bound up with the privileges of independence in internal administration, and on behalf of the minor Chiefs we are prepared in every respect to co-operate loyally for the protection of Imperial interests which in both these States have always been treated as coincident with their own. We desire in this connection to lay particular stress on the fact that these States have prohibited import of arms and ammunition, have restrained imports of silver, have regulated imports of kerosene, and provide regular statistical returns which include the results of periodical inspection of cargo. In addition, we have long since requisitioned the services of an European Customs Officer and have adopted very willingly the more systematic methods which he recommended. We have also maintained at our ports officers of integrity and experience whose work has hitherto been found satisfactory.”

63. In a note on the ports question, dated 29th August, 1917, Mr. Rendall, the Administrator, said:—

“We shall have to strengthen our staff at Veraval and at other smaller ports and this I have already arranged in anticipation to do for Veraval. It may be advisable to get a good class subordinate trained in British methods; but our port has already been reorganised on the British system according to Mr. Ingle's recommendations, and I do not think we shall require to make any startling changes. Any expense we have to incur will be amply repaid us by increased income under the new position.”

64. In addition to this it has been the practice of the Agent to the Governor-General to make friendly suggestions on all issues which are brought to his notice and all such suggestions are given full consideration which they deserve. I do not find in the files of the State during the last ten years since the Agreement of 1917 was made, any comment or any suggestion received from that quarter. I am, therefore,

strengthened in the belief that the customs administration in Veraval port must be considered as satisfactory by anyone examining it as it has been considered hitherto by myself. All the same, if any assurance on this subject is necessary, I shall have no hesitation in giving an unreserved assurance that it will be my aim at all times to secure the highest efficiency in customs administration parallel with similar administration at British ports.

65. I have taken the opportunity of going into details, but in doing so my motives have been, while stating facts, not to give any offence to the Government of India. I trust the statement will, therefore, be read in the spirit in which it is being sent. I have taken the liberty of expressing myself freely because the real interests of my State are vitally affected by the attempt to put an end to the Agreement of 1917. The present position is unfortunate and is also damaging the prestige of the State in the eyes of all sister States in India. It is giving rise to the belief that Junagadh must have given some special reason to the Paramount Power for this unprovoked attack on its cherished privileges. I most respectfully urge the need of immediate action to secure to my State what is due to it. I have every confidence that this matter will receive from Your Excellency full and sympathetic consideration and that even-handed justice will be meted out to my State. I shall not state explicitly what relief Junagadh is seeking as I have no desire to tie down the hands of the Paramount Power. All I seek is that whatever arrangements are proposed, should be informed with the same good feeling towards my State which has been extended to it in the past and which it has done nothing to forfeit.

I have, &c.,

MAHABAT KHAN,
Nawab of Junagadh.

APPENDIX I.

No. A (1) of 1927.

From Amir Sheikh Mahmadbhai Abdullabhai, Dewan, Junagadh State to the Honourable the Agent to the Governor-General in the States of Western India.

Sir,

Mount Abu,
28th June, 1927.

I have the honour on behalf of the Junagadh State to say that at the opening of the Conference held yesterday to reconsider the Agreement of 1917, those present were given to clearly understand by the Chairman that any discussion in regard to the said Agreement of 1917 was disallowed owing to the Government of India having been convinced that the conditions laid down in paragraph 4 of the 1917 Agreement have been amply fulfilled.

I on behalf of the Junagadh State respectfully urge that the conditions justifying the Government of India to put an end to the Agreement of 1917 have not been fulfilled, for reasons shown in the Junagadh note accompanying.*

Under these circumstances I, as representative of the Junagadh State, beg to submit the State's formal protest against this decision.

* Not printed.

I further beg to state that, in the event of the Junagadh State concurring to any conclusion that may be arrived at, it reserves the right of appeal to either the Government of India or the Secretary of State for India on this issue.

I request that this protest from the Junagadh State may be recorded.

I have, &c.,

SHEIKH MAHAMAD.

APPENDIX II.

STATEMENT OF THE PRICES OF PRINCIPAL COMMODITIES IMPORTED INTO JUNAGADH.

Rate per Bengal Maund.

—	1900-01.	1905-06.	1910-11	1913-14.	1917-18.	1918-19.	1919-20.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Wheat ...	4 3 3	4 4 0	3 8 0	3 9 0	4 6 0	9 4 0	8 14 0
Rice—							
Bhiwandi ...	5 10 0	5 10 0	5 10 0	6 15 0	15 0 0	12 8 0	19 0 0
Ordinary ...	3 14 9	4 0 0	3 14 9	4 9 0	4 14 0	8 0 0	7 10 0
Gram ...	3 9 6	3 8 0	2 10 6	3 13 0	3 6 0	7 2 0	8 15 0
Udad ...	3 5 3	3 14 0	2 12 9	3 12 0	3 14 0	10 6 0	10 8 0
Mug ...	3 3 9	4 4 0	2 8 3	4 6 0	3 13 0	13 2 0	10 8 0
Gramdal ...	5 2 9	4 1 6	3 6 9	4 6 6	3 6 0	7 15 0	10 1 0
Turdal ...	5 14 0	4 12 0	4 7 9	6 12 0	8 8 0	12 4 0	15 8 0
Dates, wet ...	3 1 3	3 0 0	3 12 6	4 1 0	5 6 0	7 10 0	9 0 0
" dry ...	4 10 0	4 7 9	4 7 9	5 0 0	5 8 0	8 9 0	12 0 0
Cotton seeds ...	1 8 9	2 4 0	3 1 3	2 13 0	3 6 0	5 10 0	5 4 0
Sugar ...	8 15 3	7 1 0	7 13 6	7 1 6	14 4 0	14 14 0	27 6 0
Sugarcandy ...	10 10 3	8 11 0	8 15 3	8 2 0	16 12 0	17 8 0	30 0 0
Kerosene, tins ...	2 0 0	1 14 3	1 9 9	2 3 6	2 7 0	4 2 0	4 1 0
Betel-nuts ...	10 10 3	12 5 0	10 14 9	13 12 0	17 12 0	25 0 0	21 8 0
Cocoanuts per 100 ...	3 13 9	3 3 9	6 15 0	7 11 0	5 6 0	7 12 0	11 2 0
Jaggery ...	5 14 0	7 0 0	6 2 6	7 5 0	11 4 0	9 13 0	15 14 0
Sweet oil ...	14 0 0	2 3 0	4 14 6	19 4 0	23 0 0	35 0 0	47 4 0
Wheat ...	6 6 0	10 6 0	5 6 0	6 0 0	6 0 0	7 10 0	7 6 0

—	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice—							
Bhiwandi ...	16 12 0	13 0 0	9 8 0	12 0 0	9 0 0	9 12 0	9 12 0
Ordinary ...	6 4 0	6 12 0	7 12 0	7 0 0	7 6 0	7 8 8	7 8 0
Gram ...	6 6 0	7 2 0	5 0 6	4 8 0	4 4 0	6 1 0	5 4 0
Udad ...	7 6 0	6 10 0	5 12 0	5 12 0	5 14 0	6 14 0	5 4 0
Mug ...	8 4 0	7 12 0	5 12 0	5 14 0	5 14 0	7 14 0	6 8 0
Gramdal ...	7 4 0	10 2 0	6 2 0	5 8 0	5 8 0	7 1 0	6 10 0
Turdal ...	13 0 0	11 4 0	8 4 0	8 4 0	8 4 0	9 4 0	8 12 0
Dates, wet ...	5 14 0	6 3 0	4 14 0	4 6 0	6 4 0	4 12 0	6 3 0
" dry ...	9 0 0	9 9 0	9 15 0	9 6 0	5 3 3	10 8 0	9 5 3
Cotton seeds ...	4 1 0	4 7 0	4 6 0	4 12 0	4 9 0	8 13 0	3 11 0
Sugar ...	25 12 0	16 2 0	15 10 0	20 0 0	12 13 0	11 7 6	12 15 0
Sugarcandy ...	29 8 0	18 12 0	19 0 0	23 8 0	17 2 0	13 14 0	13 4 0
Kerosene, tins ...	4 2 0	4 2 0	3 14 0	3 14 0	3 12 6	3 11 0	3 13 0
Betel-nuts ...	18 4 0	23 0 0	26 12 0	35 4 0	33 12 0	39 0 0	27 0 0
Cocoanuts per 100 ...	11 4 0	10 10 0	9 8 0	9 9 0	9 6 0	10 6 0	8 8 0
Jaggery ...	14 4 0	10 12 0	11 8 0	11 8 0	11 8 0	11 14 0	10 4 0
Sweet oil ...	33 0 0	25 8 0	25 0 0	30 8 0	25 8 0	24 8 0	26 8 0

APPENDIX III.

STATEMENT OF EXPENSES INCURRED FOR THE COLLECTION OF CUSTOMS
REVENUE.

<i>Year.</i>	<i>Total Expenses. Rs.</i>	<i>Year.</i>	<i>Total Expenses. Rs.</i>	<i>Year.</i>	<i>Total Expenses. Rs.</i>
1900-01 ...	3,509	1918-19 ...	32,950	1923-24 ...	39,359
1905-06 ...	6,598	1919-20 ...	37,261	1924-25 ...	37,774
1910-11 ...	8,301	1920-21 ...	32,435	1925-26 ...	42,107
1913-14 ...	12,613	1921-22 ...	32,715	(14 months)	
1916-17 ...	16,233	1922-23 ...	39,858	1926-27 ...	39,862
1917-18 ...	28,545				

APPENDIX XLI.

No. R/45.

7th January, 1928.

SUBJECT:—INDIAN CUSTOMS TARIFF.

A copy of the above-mentioned publication should be delivered to the Vakils of the States named in the margin* for the information of their respective Darbars and (for communication to Mangrol).

C. P. HANCOCK, Captain.

Secretary to the Agent to the Governor-General.

No. 395 of 1928.

Rajkot,

11th January, 1928.

Copy with the accompaniment forwarded with compliments to the Dewan Sahab for information and favour of necessary action.

P. B. NANAVATI,

State Vakil.

TRIPURA.

(a) The States do claim a share of the Imperial Customs revenue on the ground that the revenue derived from any taxation is, according to elementary principles of economics, the due of the Governments whose subjects consume the commodities taxed.

(b) The recent raising of Customs Duties has undoubtedly affected adversely the States as well as their subjects. These are in the main protective duties and while in British India they may foster industries, in the States they merely raise the price of articles consumed by the States subjects and by reducing the taxable capacity of the latter, make it difficult for the States to impose taxes necessary for securing the revenues upon which administrative efficiency depends.

(c) Since the right of the States to tax their own subjects cannot be questioned, the abolition of States' import and export duties cannot be made a condition precedent to an acknowledgment by the Government of the just rights of the States in regard to a share in Imperial

* Junagadh, Nawanagar, Bhavnagar, Porbandar, Morvi, Jafrabad, () to Junagadh only.

Customs revenue. But in the interests of their subjects, the States would be prepared to consider such abolition, on condition that the revenue derived from their share of Imperial Customs Duties did not fall below the figure derived at present from the States' import and export duties: and the further condition that the amount payable to each State should be open to revision from time to time.

(d) Ruling Princes, not being British Indian subjects nor subject to the laws of British India, should not be liable to British Indian taxation. This question assumes the right of the Government of India to tax the subjects of the States indirectly. I do not admit this right, but assuming the practice, it is in accordance with usual courtesy in such matters that a Ruler enjoying Sovereign rights should be immune from such taxation.

BARWANI.

(a) The State claims a share of the Imperial Customs Revenue on the elementary principle of economics that the revenue derived from any taxation is due to the Government whose subjects consume the commodities taxed.

(b) The recent raising of customs duties have undoubtedly affected adversely the subjects of the State. They have raised the prices of articles consumed by the State subjects in the same proportion as they are consumed by the inhabitants in British India. As the taxable capacity of the subjects has *pro rata* reduced, the State has also been adversely affected as taxes necessary for securing the revenues upon which the administrative efficiency depends are rendered difficult of imposition. But if and when the States' just claim of a share in the Imperial Customs Revenue is admitted the difficulty can be obviated.

(c) Since the right to tax its own subjects can not be questioned the abolition of the State import and export duties can not be made a condition precedent to an acknowledgment by the Government of the just rights of the State in regard to a share in Imperial Customs Revenue. But in the interest of its subjects the State would be prepared to consider such abolition on condition that the revenue derived from its share of Imperial Customs Duties did not fall below the figure derived at present from the State import and export duties: and the further condition that the amount payable should be open to revision from time to time.

(d) Ruling Princes not being British Indian subjects nor subject to the laws of British India should not be liable to British Indian taxation. This question assumes the right of the Government of India to tax the subjects of the State indirectly. I do not admit this right but assuming the practice it is in accordance with usual courtesy in such matters that a Ruler enjoying Sovereign Rights should be immune from such taxation.

CAMBAY.

(a) Yes. The people of the State consume articles subject to customs duty and it is fair that a share of the customs revenue should go to the State whose subjects they are.

(b) The subjects of the State have been indirectly taxed and to that extent the capacity of the State to raise revenue has been reduced.

Note.—As regards both these questions which are large questions of economics, a great deal can and will have to be written but I am content to leave these questions to be thoroughly discussed by the exponents of the cause of the larger Indian States. This State will benefit from any decision on such general questions that may be arrived at.

(c) The State levies no export duties at all. At our port here (which is treated as a British port and where the customs tariff is the same as in British India) very little comes from foreign countries. There is no import duty also in this State. Octroi duty is levied in the town of Cambay for Municipal revenue. I do not think the State would object to continue the existing practice should it succeed in getting its proper share of the Imperial Customs revenue.

(d) As the Ruler of a First Class State with full powers, the Nawab should not be liable to British Indian taxation. Courtesy would also require that a ruler enjoying full powers in his State should be immune from such taxation.

MORVI.

(a) This State respectfully claims that the agreement solemnly entered into between the British Government and itself in 1917 and which has been departed from since July, 1927, should be restored.

The Morvi State is a maritime State, having its port of Navlakhi on the Kathiawar coast, in the Inner Gulf of Cutch. Till 1903 all Kathiawar ports were free ports. In that year, on the ground of the Customs duties not being uniform, the Government of India imposed a Customs preventive line at Viramgam, which was soon found to be irritating and obstructive to the general trade and prosperity of the Province. After various negotiations, an agreement was concluded in 1917 between the British Government and the Morvi State whereby, in consideration of the State agreeing to levy Customs duty at Morvi's port "at rates not lower than British Indian Tariff rates," British port rights were given and guaranteed to the State and the land Customs line was withdrawn. It is a matter of very great regret that since July, 1927, this preventive line has been re-imposed, and the State has been deprived of the British port rights secured to it under the agreement. During the 10 years of its existence, the agreement was scrupulously carried out. The eminent representatives of the Government of India, who met the representatives of the maritime States of Kathiawar in conference at Abu in June, 1927, have clearly stated that the trade at the port of Navlakhi had not affected Imperial fiscal interests. The Morvi State submits

respectfully that the agreement of 1917, solemnly entered into between the Government of India and the Morvi State and loyally carried out by the latter, should be held sacred and should not be departed from. The subject has been treated in detail in the State's Memorial to the Government of India, No. 1571, dated the 4th February, 1928, and the Morvi Durbar are anxiously awaiting their orders restoring the agreement. A copy of the Memorial is hereto annexed. It is earnestly hoped that the Indian States Committee will give the matter the attention it demands and recommend maintenance of the engagement of 1917.

(b) The fact that they raise the price of articles consumed by the State and their subjects is self-evident and requires no proof.

(c) In view of our reply to 5 (a), the question does not arise.

(d) On the same grounds on which exemption is allowed to those exempted.

No. 1571 of 1928.

To His Excellency the Right Hon. Edward Frederick Lindley Wood, P.C., G.M.S.I., G.M.I.E., Baron Irwin of Kirby Underdale, Viceroy and Governor-General of India in Council, Delhi.

Hazoor Office, mill Buildings, Morvi.

4th February, 1928.

SUBJECT :—AGREEMENT OF 1917. RE-IMPOSITION OF KATHIAWAR LAND CUSTOMS LINE.

Your Excellency,

I have the honour respectfully to submit this representation regarding the Agreement of 1917, and Notification (Tariffs), No. 296-T (7), dated the 4th July, 1927, published in the "Gazette of India," Extraordinary, of the same date, for the favourable consideration of Your Excellency in Council.

2. By the said Notification, Your Excellency's Government were pleased to declare the territory of Indian States in Kathiawar to be foreign territory for the purpose of Section 5 of the Indian Tariff Act, 1894, and to direct that a duty of Customs at the rate prescribed by or under the said Act, in respect of any article when imported into a port in British India, shall be leviable on any such article when imported by land from the said territory.

3. As the Notification has thus the effect of cancelling the Agreement of 1917, and to deprive my port of Navlakhi of the rights and privileges secured to it by the said Agreement, I feel constrained to approach Your Excellency in Council for the restoration of those rights.

4. The facts, so far as they are pertinent to this representation, are as follows.

The Agreement of 1917.

5. Till the year 1903 the trade of Kathiawar ports was free and unrestricted. In that year, on the ground of the Customs duties not being uniform, the Government of India imposed a Customs preventive line. Government soon found that "the preventive line was very irritating to the whole Province and that it was hampering

the general trade and industries of Kathiawar and by consequence opposed to the general welfare of the province and its people." To put an end to this irritating and undesirable situation, Government proposed certain conditions to the Maritime States of Kathiawar, the most material of which was that the Darbars should undertake to levy at their ports Customs duties not lower than those enforced simultaneously at ports in British India. The States were prepared to accept these conditions except one which provided for a periodical inspection, by a Customs Officer in the service of Government, of the accounts and arrangements at their Customs houses.

6. After years of correspondence and negotiations, Government were pleased to withdraw this condition, and, recognising the inconvenience caused to the public and the States of Kathiawar by the land Customs line, were good enough to terminate it. Accordingly, by Agency Letter, No. P/99, dated the 26th August, 1917, they proposed to the Morvi Darbar, along with other Maritime States, that if they undertook to levy at their port Customs duties not lower than those enforced at British Indian ports, and observed five other conditions, which need not be referred to here, they would then not only receive the privileges of British ports in respect of coasting trade, *but would be allowed to receive the duty on all articles of foreign origin which are imported into British India from the State by land.*"

7. The letter concluded:—

"As the one condition to which serious objection was taken by the Maritime States has been removed, I trust Your Highness will have no difficulty in accepting the proposal."

8. My State accepted the terms and conditions offered by Government (Letter No. 401, dated 27th August, 1917), and the Agent to the Governor, Kathiawar, expressed his obligations for such acceptance (Letter, Confidential, dated 28th August, 1917). Thereupon, Government were pleased to abolish the land Customs line and to treat my port as a British port in respect of customs (Agency Letter, No. P/11, dated 8th November, 1917).

9. I may here observe that, by virtue of the Agreement, my State was in the unrestricted enjoyment of British port rights till 1927. Suddenly, in February, 1927, Government contemplated the idea of stopping the free transshipment, at British Indian ports, of goods intended for Kathiawar ports, and intimated their intention to do so by Agency Letter D.O. No. R/45 (10), dated the 23rd February, 1927 (App. A). In reply (App. B) I submitted that it would deprive me of one of the privileges of a British port and prayed that the step might not be taken. I am grateful to Your Excellency that you were pleased to abstain from giving effect to the proposal, and I was greatly relieved at Your Excellency's generous consideration of my representation.

10. Four months after, however, the question of reconsidering the Agreement of 1917 was taken up on the ground and under the circumstances briefly given below.

What led to the re-imposition of the land Customs line.

11. It may be mentioned here that in the Agreement of 1917 Government had laid down two conditions. They said (Agency Letter, No. P/99, dated 26th August, 1917):—

Para. 3.—That they would be prepared to guarantee the privilege of British ports, so long as the State abided loyally by the terms of the Agreement and so long as there was not such grave mal-administration as to jeopardise Imperial interests; and

Para. 4.—“That if at any time in the future, by the creation of a port capable of accommodating large vessels or otherwise, the fiscal interests involved became very important, they would reserve the right to reconsider the position generally.”

12. As Government have not touched the first condition above mentioned, I need not say anything about it. I may only mention that my State has abided loyally and scrupulously by the terms of the Agreement as the Agency and Government are well aware.

13. As to the second condition, however, my attention was drawn to it, and I was informed (Agency Letter, D.O. No. R/45 (10)), dated 23rd February, 1927) that:—

“The revenue losses of the Government of India owing to the diversion of trade through the Kathiawar ports have now become so serious that they have been reluctantly forced to the conclusion that the stage has been reached at which they are bound to reconsider the position.”

14. Three months later I received Agency Letter No. C/99, dated the 11th June, 1927 (App. C), which said:—

“The Government of India hold that this condition is amply fulfilled and that it has now become necessary for them to reconsider the whole position.”

15. For this purpose, Government decided to hold a conference at Mount Abu between the representatives of Government and of the Maritime States of Kathiawar:—

“(1) To find out a new arrangement under which the fiscal and other interests of the Government of India and the States would be reasonably safeguarded;

“(2) If that failed, to consider what measures could be taken to reduce the inconveniences that would be caused by the re-imposition of the Customs line.”

Subsequently, Government sent a memorandum indicating their proposals (App. D).

16. When I read the letter of the 11th June, my uppermost feeling was to request Government that my State should be excused from attendance at the conference on the ground that the trade at my port had not become so large as to affect Imperial fiscal interests, and that therefore no occasion had arisen to reconsider the Agreement with my State. I felt on second thoughts, however, that it would be more advisable to explain the position at the conference table. At the conference, however, it was ruled that the question whether

occasion had arisen justifying reconsideration of the Agreement of 1917 with my State was outside the purview of the conference, and that any representation I wished to make in that behalf might be made to Your Excellency in Council or the Secretary of State through the proper channel.

17. I, therefore, attended the conference under respectful protest, urging that as far as my State was concerned the necessity for a reconsideration of the Agreement of 1917 had not arisen, that my State had done nothing against the terms of the Agreement and that the trade at my port could not in any sense be held to have endangered the fiscal interests of British India (my letter to the Chairman dated 27th June, 1927, App. E).

18. At the separate discussion held at Mount Abu on the 29th June, 1927, I made the same submission (Memorandum accompanying Agency Letter, D.O. No. 8/7, dated Simla, 7th July, 1927).

19. As the proposals of Government contained in their Memorandum (Agency Letter, C/99, D/ 15th June, 1927) were not acceptable to the Maritime States, the Chairman announced that the Customs line would be re-imposed. The Government of India Notification at the opening of this representation is the outcome of that announcement.

20. It may be mentioned that the final copy of the printed proceedings of the Mount Abu conference was furnished to my State on 30th September, 1927, and the account of the proceedings of the conference under the signatures of the representatives of the Government of India was received with Agency Letter No. P 99, dated 7th August, 1927.

21. Having given a short history of the Agreement of 1917 and its termination by Government after ten years, I propose to show that in the case of my port no occasion has arisen to reconsider the Agreement and that such a step is neither necessary nor justifiable.

22. My case has been very tersely put by the representatives of Government in their account of the proceedings of the conference in para. 12, in which they say:—

“Junagadh, Porbandar and Morvi all took their stand on the position (a) that they had abided loyally by the terms of the Agreement of 1917, and (b) that the fiscal interests in respect of their particular States had not become very important. So far as they were concerned, therefore, no case for terminating or reconsidering the Agreement had arisen.”

23. It is respectfully submitted that it is not denied, nay, it has been admitted, by the eminent representatives of Government, as I shall show later on, that neither condition has arisen with respect to my port. It is my respectful but earnest submission, therefore, that the Agreement entered into with my State should be left untouched.

24. It is necessary here to bear in mind that throughout the controversy, which was carried on from 1895 to 1917, the one main condition which Government desired my State to agree to was to levy duty at my port at rates not lower than the British Indian Tariff rates. For the protection of Imperial interests my State agreed to the condition. In consideration of it, British port rights were granted my port. Now, the duty at British Tariff rates will continue

to be levied at my port, but it is deprived of the right of a British port in one important respect. In other words, while I continue to perform my part of the Agreement, the corresponding right, viz., "to receive the duty on all articles of foreign origin which are imported into British India by land through my port," is taken away from me—a measure which Government will hardly consider justifiable.

25. I further submit respectfully that it is not necessary to revise the Agreement with respect to my port, because the fiscal interests at any other port or ports may have become important.

26. The reasons put forward by Government for reconsidering the Agreement are:—

- (1) to reduce the drain on their resources; and
- (2) to meet the claims which commercial interests in Bombay and elsewhere have been advancing with considerable frequency and force.

27. As to the first, I respectfully submit that, according to the terms of the Agreement, as long as duty at British India Tariff rates is levied at my port, Government have guaranteed that articles of foreign origin imported at the port are free to travel into British India. Apart from this, however, admittedly there has not been any *drain* on British Indian revenues owing to trade at the Port of Navlakhi.

28. Regarding the second reason put forward, the commercial interests themselves, for whose protection the land customs line is imposed, are unanimous in their recommendation that they have no objection to the development of other ports who follow the British Indian standard. To quote an instance, the joint deputation of the Bombay sugar merchants' Association and other trade Associations who waited on the Finance Minister clearly said:—

"We wish to make it clear that it is not our intention to ask the Government of India to disable such ports as may be carrying on their trade in the normal manner and with the standard of rectitude as in the British Indian ports."

29. And the Honourable Sir Purshottamdas Thakurdas, Kt., C.I.E., who had headed the above deputation and whose opinion is entitled to great weight, in a statement to the Associated Press thus expressed himself when he heard about the re-imposition of the Customs line:—

"There is a feeling in Bombay that Government have, for the objectionable methods of one State . . . enforced unjustifiable hardships on innocent States."

And again.

"I personally sympathise very much with Okha and other Maritime States who have suffered. . . ."

30. But I need not invoke any outside support when I have the high authority of the eminent officials who represented Your Excellency's Government at the Mount Abu Conference. They have given it as their considered opinion that no occasion has arisen so far as my port is concerned for the reconsideration of the Agreement of 1917. In Para. 17 of their very able and lucid report (accompaniment

to the Secretary, Westindia's Express Letter, No. P/99, dated 7th August, 1927) they say:—

“ If we had arrived at an Agreement with Nawanagar on the financial issue, the logical conclusion of our instructions would have been that the land Customs line would have been re-imposed against the other States, but not against Nawanagar, which would also have secured a permanent financial advantage over the other States by the annual allocation of Rs. 34 Lakhs of Customs Revenue. In that case we should have recommended that the line should not be re-imposed at all, *on the ground that the fiscal interests were no longer very important in view of the settlement made with Nawanagar.*”

31. It is thus clear that, in the opinion of these eminent representatives of the Government of India, the fiscal interests at other ports had not become very important and that, as far as they were concerned, no occasion had arisen for the re-imposition of the Customs line.

32. They go further and in fairness and justice to the other States, say:—

“ Such a conclusion would not have been altogether satisfactory But it would at any rate have avoided the *obvious iniquity of the conclusion following from a rigid interpretation of our instructions.*”

33. The Maritime States cannot be too grateful to these high Officers of Government for their impartial and candid opinion.

The Need and the Remedy.

34. In the words of the report “ the immediate necessity is to prevent the very serious loss of Customs Revenue on imported goods, especially sugar. It was for this purpose, we understand, that the conference was primarily convened, and the case for reconsidering the Agreement only arose because the fiscal interests had become very important.”

35. The question of my right apart, Government are well aware that it was not at my port that sugar was imported in such large quantities as to seriously affect Imperial Customs Revenue.

36. The distinguished authors of the report proceed to say:—

“ The truth is that the internal and external trade of Kathiawar has been so dislocated that the basis of a permanent settlement does not exist until trade has returned to its natural and normal channels. And this is not likely until the line has been re-imposed for a period.”

37. If Government are satisfied that the trade is dislocated, it is but just and right, I respectfully urge, to investigate into the real causes and apply the remedy where needed. I pray that, if an operation is imperative, the lancet should be restricted to the diseased portion only. It is not that the seat of disease is not discovered. It is, therefore, only fair and reasonable that the other healthy parts should be left untouched.

38. I respectfully submit that it should not be beyond the capacity and resourcefulness of the many capable advisers of the Government

of India to find out ways and means by which only that part of the body politic may be dealt with which requires treatment.

39. The distinguished representatives of Government were prepared to advise Government not to reimpose the line if an arrangement had been arrived at with Nawanagar for Rs. 34 Lakhs. But because Nawanagar did not choose to accept the offer, is it just, fair, reasonable or equitable, I earnestly appeal to Government to consider, to put up a line across the whole province?

The value of Kathiawar ports and the Evils of Customs Barriers.

40. My task is rendered easy in this respect, because Government themselves have been generous enough to appreciate the value of the Kathiawar ports and the evil effects of Customs barriers on trade. Sir Geoffrey Corbett, representing the Government of India at Mount Abu Conference, in a statement which he put in to explain the memorandum of 15th June, 1927, said that the Government of India recognised the importance of the Kathiawar ports and their value, not only to the States immediately concerned, but also as a link in the communications of India and that their healthy development was in the interests of Indian commerce. He added that the Government of India also recognised that internal Customs lines are an impediment to commerce, that the International Economic Conference at Geneva was in favour of relaxing such barriers and obstructions to the free movement of trade. After referring to the increase of trade at the Kathiawar ports, he further said that in so far as this increase represented the healthy development of a new system of communications, it was in the interests of India as a whole and that it should not be checked. He admitted that from this point of view the reimposition of the Viramgam Line was a retrograde step.

41. Holding as Government do these liberal views, I most earnestly submit that the healthy development of my port should not be checked. I submit that when my State has carried out its part of the Agreement, and when no condition has arisen there justifying reconsideration of the Agreement, I am entitled to look to Your Excellency's Government with confidence to find a remedy which, while answering their requirements, will protect my just rights.

Conclusion.

42. I hope I have been able to show to the satisfaction of Your Excellency in Council that a reconsideration of the Agreement of 1917 is neither justifiable nor is it necessary, as far as my State is concerned, and that Your Excellency will not think it right to rescind an Agreement which had been entered into after twenty years of negotiations and which has been loyally and scrupulously carried out.

43. I, therefore, earnestly pray that, on a careful consideration of the facts and considerations herein set forth, Your Excellency in Council will be pleased to raise the cordon against the port of Navlakhi and to continue to me the rights guaranteed under the Agreement of 1917.

I remain, &c.,

MAHARAJA OF MORVI.

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APPENDIX A.

D.O. No. R/45 (10).

The Residency, Rajkot,
23rd February, 1927.

My dear Maharaja Saheb,

At the instance of the Government of India, I address Your Highness in regard to the growth of trade through the Kathiawar Ports with special reference to the fiscal difficulties with which the Government of India find themselves faced owing to the loss of Customs revenue at Bombay and Calcutta.

2. Your Highness will remember that the Government of India in 1917, in stating the conditions on which they were prepared to remove the Viramgam line, added a proviso that, in case at any time in the future owing to the creation of a port capable of accommodating large vessels or otherwise, the fiscal interests involved should become very important, they reserved the right to reconsider the position generally. These conditions were accepted by all the States concerned.

3. The revenue losses of the Government of India, owing to the diversion of trade through the Kathiawar Ports, have now become so serious that they have been reluctantly forced to the conclusion that the stage has been reached at which they are bound to reconsider the position. The Government of India will shortly be addressing Your Highness and the other Rulers concerned regarding arrangements for the future and the most careful consideration will be given to any suggestions that Your Highness may have to make.

4. The Government of India realise that a final decision on so important a matter cannot be taken until an opportunity has been given to all the Kathiawar States concerned to represent their views but they also feel that it is incumbent on them to take immediate measures of some kind, both to reduce the present drain on their resources and to meet in some measure the claims which commercial interests in Bombay and elsewhere have upon their consideration and which they have been advancing with considerable frequency and force for some time past. The Government of India, therefore, propose as an *ad interim* measure to prohibit the free transshipment at British Indian Ports of goods intended for Kathiawar ports. This prohibition, as Your Highness is aware, was in force from 1879 to 1918, that is say for many years before the Viramgam line was instituted. The partial removal of the prohibition did not form part of the understanding on which the removal of the line was based, but was a gratuitous concession given to the Kathiawar States in 1918. There is, therefore, no obligation on the Government of India to give notice before withdrawing it, but as a matter of courtesy and in accordance with the desire of His Excellency the Viceroy not to take any decision against the interests of the States without their having a chance to make representations, the Government of India propose to continue this privilege until the end of March.

5. If Your Highness should desire to make any representation on this matter, I am to ask that it should be submitted as early as possible.

Yours sincerely,

C. C. WATSON.

His Highness Maharaja Shri Lukhdhirji Bahadur,

Maharaja of Morvi.

APPENDIX B.

D.O. No. 62 of 1927.

Morvi, Kathiawar,

7th March, 1927.

My dear Mr. Watson,

I am in receipt of your letter D.O. No. R/45 (10), dated the 23rd February, 1927, in regard to the growth of trade through Kathiawar Ports. As it affects me vitally and principally, and hits me hardest, I take this early opportunity of addressing you.

The letter under reply deals with two points. Para. 3 of it indicates that it is the intention of Government shortly to address me on the question of reconsidering the arrangement entered into with my State in 1917, which practically gave my port the benefits of a British Port. I shall be glad to give my considered views on the subject, when the communication arrives.

On the second point, viz., the proposal of prohibiting as an *ad interim* measure free transhipment, at British Indian Ports, of goods, intended for Kathiawar Ports, I would hasten to say that the immediate effect of the measure, as far as my port is concerned, would be to practically stop all foreign trade to my port. So far no ocean-going steamers have been able to come to my port of Navlakhi. Until the year before last the trade was carried on in country crafts. It was only by an arrangement entered into with the B.S.N. Co., in 1925, that small coasting steamers have commenced service to my port. They can and do bring only such cargo as can be transhipped in Bombay harbour, while other States, viz., Bhavnagar, Junagadh, Porbandar, Baroda and Navanagar are able to import goods direct from Foreign countries in large steamers at their ports. This has not been possible, so far at Navlakhi. If, therefore, the intended prohibition is placed against my port, the practical effect of it will be that while other States will continue to have direct importation of commodities from foreign countries, the Morvi State will be deprived of the comparatively small quantity of foreign trade that comes to it transhipped from Bombay.

I may add, at the same time, that I cannot understand how my present trade can ever prejudicially affect Imperial fiscal interests. As I have said above, my trade, so far, has been negligible compared to the trade of such ports in Kathiawar as can arrange to bring foreign goods by ocean-going steamers coming direct to their ports, and what

is more, I am not aware of any cargo transhipped at a British Port having travelled from my port into the hinterland of British India. It is my respectful but earnest submission, therefore, that pending the final decision of the whole question raised in your letter under reply, it would be only fair to Morvi not to lay an embargo on free transshipment of cargo for its port of Navlakhi.

Moreover, I am not sure what relief Government expects from this doubtful measure of stopping transshipment; for it is obvious that their fear of financial loss arises from large direct consignments from foreign ports rather than from transhipped goods from British Indian Ports.

Without entering into further discussion which will only arise when I receive the suggested communication, regarding the whole question of reconsidering the arrangement of 1917, I would like to remark that "the power" retained by Government under the agreement "to take any measures necessary to protect" their financial interests, could only be exercised, if a State does not abide loyally by the terms of the proposed agreement, and "if in any State at any time such mal-administration were discovered as to jeopardise Imperial interests." I hope that Government do not believe that my State has not carried out its part of the agreement, and also that the small trade at my port can have affected adversely the fiscal interests of British India. At the same time, should conditions such as have made Government address such a letter to the States prevail in any maritime State in Kathiawar, I am confident that it could not be the intention of Government to treat every State alike; in other words, my submission is that nothing should be contemplated that would affect the principle laid down in 1917, but that should contrary conditions arise anywhere, each case should be considered on its own merits.

I shall be grateful if you will kindly lay these facts and considerations before the Government of India and obtain their orders for a continuance of the present arrangement regarding the free transshipment of cargo from British Ports to my port of Navlakhi. The matter has been causing me great anxiety; because, if no orders are received, my port will be the only port which will practically have no Foreign trade from the 1st of April.

Your sincerely,

LUKHDHIRJI.

To The Honourable Mr. C. C. Watson, C.I.E., I.C.S.,

Agent to the Governor-General

in the State of Western India, Rajkot.

APPENDIX C.

No. C/99 of 1927.

From the Honourable Mr. C. C. Watson, C.I.E., I.C.S., Agent to the Governor-General in the States of Western India to His Highness Maharaja Shri Lukhdirji Bahadur, Maharaja of Morvi.

Rajkot,
11th June, 1927.

Your Highness,

SUBJECT:—AGREEMENT OF 1917 RECONSIDERATION OF KATHIAWAR PORTS.

When the arrangement of 1917 was made under which the land customs line between Kathiawar and British India was removed, the Government of India reserved to themselves the right to reconsider the arrangement if at any time by the creation of a port capable of accommodating large vessels or otherwise the fiscal interests involved should become very important. I am directed to say that the Government of India hold that this condition is amply fulfilled and that it has now become necessary for them to reconsider the whole position. To this end they have decided that a Conference should be held at Mt. Abu to which I am directed to invite the Rulers of the Maritime States in the Western State Agency to attend either in person or by representatives empowered to bind the Rulers whom they represent.

2. The objects of the negotiations at the Conference will be:—

- (1) to find a new arrangement under which the fiscal and other interests of British India will be reasonably safe-guarded with due regard to all similar interests of the States and without recourse being had to the reimposition of a land customs line between Kathiawar and British India, and
- (2) if, unfortunately, no such arrangement can be found, to consider what measures can be taken to reduce to a minimum the inconveniences that would be caused to Kathiawar and British India by the re-imposition of the land Customs line. The whole question of free transhipment will also be reviewed.

I am to add that the representatives of the Government of India at this Conference will be given full powers to arrive at a settlement that will be within the limits of these terms of reference.

3. The Government of India will be represented at the Conference by myself and Mr. C. R. Watkins, C.I.E., and it is the desire of the Government of India that the Conference should be convened at the earliest possible date and I have, therefore, decided that it should be held on Monday the 27th June and following dates if necessary.

4. I would ask Your Highness kindly to communicate to me by telegram your ability either to attend in person or to depute a plenipotentiary at Mt. Abu on the date appointed. I propose that the proceedings should be started at 11 a.m.

I remain, &c.,

C. C. WATSON.

APPENDIX D.

No. C/99 of 1927.

From The Honourable Mr. C. C. Watson, C.I.E., I.C.S., Agent to the Governor General, Western India States Agency to His Highness Maharaja Shri Lukhdirji Waghji Bahadur, Maharaja of Morvi.

Camp Simla,
15th June, 1927.

SUBJECT.—AGREEMENT OF 1917—RECONSIDERATION OF KATHIAWAR PORTS.

Your Highness,

In continuation of my letter, No. C/99, dated the 11th June, 1927, I have the honour to forward herewith a Memorandum indicating the lines on which negotiations will be undertaken by the representatives of the Government of India at the forthcoming Conference to be held at Mount Abu on the 27th instant and following days.

I remain, &c.,

C. C. WATSON.

MEMORANDUM.

1. The Government of India propose that, as an alternative to the reimposition of the Land Customs line, the States should agree to an arrangement under which the Customs administration of the ports that remain open to foreign traffic, whether direct or by transshipment, should be handed over to Customs Officers, appointed by and responsible to the Government of India, who will collect Customs duties at British Indian rates, the proceeds being credited to Central revenues in return for an assignment to each State (see below) the remaining ports being closed to such traffic. The Government of India have however authorised their representatives to consider modifications of such an arrangement.

2. In arriving at a settlement, it will be borne in mind that the logical alternative to the re-imposition of the Land Customs line is an arrangement that would limit the aggregate of the States' shares in the Customs collections to the amount leviable on goods consumed in Kathiawar States. In view however of the opportunities that were given to the States in 1917 and of the extent to which the States have taken advantage of those opportunities, the Government of India are unwilling to insist upon a strict application of the principle stated above. Their offer to those States that will accept the arrangement stated in paragraph 1 is a guaranteed annual payment (for a term of years, at the end of which the arrangements will be revised) of a figure equal to (1) the highest amount collected by each State in any year, up to and including 1925-26 plus (2) an allowance, where necessary, in consideration of capital expenditure incurred from 1917 up to date on developments of their ports and railways serving the ports, plus (3) 10 per cent. of the total of (1) and (2). These terms are suggested in

the event of States feeling themselves able to concur without modification in the arrangement outlined in paragraph 1. Should States be unable or unwilling so to concur, the terms suggested would require revision.

3. In the event of it becoming necessary to reimpose the Land Customs line, the Government of India's representatives have been authorised to consider what exemptions from duty or other relaxations of the strict application of the Land customs regime could be made effective for those States that would consent to maintain the British Indian Customs rates of duty at their ports, the questions of continuing the privilege of free transshipment at British Indian ports and of continuing to treat traffic from the State ports to British Indian ports as coasting traffic will be necessarily affected by the attitude of the States in this matter.

4. If a settlement is arrived at in accordance with paragraph 1 and 2 above the Government of India will stipulate that the financial arrangements should have effect from the 1st April, 1927.

5. The development of direct traffic with foreign countries has brought in a serious danger of smuggling of arms, cocaine and seditious literature, and the Government of India feel sure that they can count on the whole-hearted co-operation of the States in dealing with this evil. They propose that all States which have ports that are visited by steamers bringing cargo from foreign ports should agree to employ Police Officers lent by the Government of India who have been specially trained in this form of preventive work to assist their own Police Officers. Similarly, in any arrangement that may be come to, regarding the administration of the ports of Kathiawar, the Government of India will stipulate for the retention of conditions (iii), (iv) and (v) of the 1917 Agreement.

6. The States are reminded that international obligations may have a bearing on the question of their assessing duties at other than British Indian rates.

APPENDIX E.

To The Chairman, Conference of the Maritime States, Mount Abu.

Mount Abu, 27th June, 1927.

Sir,

In response to the invitation of the Government of India I am attending the Conference to-day, but I would like to put my views on paper for your consideration. I feel it to be my duty to my State to submit that as far as my State is concerned the necessity for a reconsideration of the Agreement of 1917 has not arisen.

The agreement of 1917 guarantees to me "the privilege of British Ports" in respect both of coasting trade and foreign trade to and from my port "so long as" my State "abides loyally by the terms of the Agreement." The only reservations Government have made are, to quote the words of the Agreement, (1) that "if the States did not abide loyally by the terms of the Agreement and if in any State at any time such grave mal-administration were discovered as to jeopardise Imperial interests the Government of India would retain the power

to take any measure necessary to protect those interests" and (2) that "if at any time in the future by the creation of a port capable of accommodating large vessels or otherwise the fiscal interests involved became very important the Government of India would reserve the right to reconsider the position generally." Government, I trust, know that the contingencies mentioned in these reservations have not arisen at my port and so long as they have not, no question of reconsideration of the Agreement, so far as my State is concerned, should, I respectfully submit, be raised. I am confident that Government are satisfied that I have carried out my part of the Agreement loyally, and I look to Government to carry out theirs.

In view of the above submission may I earnestly appeal that it would be only justice to leave my port rights undisturbed.

LUKHDHIRJI.

Maharaja of Morvi.

PUDUKKOTTAI.

(a) Pudukkottai is an inland State surrounded on all sides by the British territory. The State levies no kind of duty upon articles brought into or taken out of the State. The articles manufactured out of India and brought into and used in the State are those for which customs duties have been paid at a British Indian port. To the extent to which such foreign products are consumed by the State subjects, the sea customs paid on the articles at the British Indian port at which those articles were disembarked are contributed by the State subjects, as the price paid by them for the articles includes as well the customs duties paid on them. On the principle that the taxes collected by any authority should be spent for the benefit of the people from whom they were collected, the Pudukkottai Darbar would in common with other States similarly circumstanced claim a share of the customs revenue now realised by the Government of India. The standard of living of the people of the State being the same as that of the outlying British districts, they may be taken to use foreign articles to the same extent as the people in the surrounding area and the amount of the customs duties due to the State can safely be fixed on the proportion which the population of the State bears to the British Indian population.

(b) We have not collected statistics to ascertain definitely the extent of the burden thrown additionally on the people as a consequence of the recent raising of the scale of customs duties by the Government of India and no figures can easily be given, but it needs no elaborate argument to show that the burden of the rise in the import should have corresponded to the extent to which the people of the State have had to pay a higher price for the articles as a consequence of the rise in the duty. The people of the State are mainly agricultural, there are no industries in the State and the people have to depend upon outside countries for the supply of cotton and woollen fabrics, iron material, glass-ware and all such articles. For the past three years the State has been going through a period of drought, and if the prices of these articles were lower than now the lot of the people

would have been better, or at least if the Darbar had been given a proportionate share of the increased duty they would have given the people more relief than it is possible in their present financial circumstances.

(c) The answer to Question No. 5 (c) is "Yes." As stated already, we levy no customs duties and agree not to levy any sort of inland customs also hereafter if the Government of India should give us an adequate share of the Imperial Customs Revenue, though the Government of India will not, we hope, question our reservation of a right to raise such taxes as the Darbar consider necessary from their own subjects in times of necessity.

(d) His Highness the Rajah of Pudukkottai does not at present enjoy the privilege of importing duty-free articles required for his personal use, though he is a member of the Chamber of Princes in his own right, as such a concession has been allowed only to princes who are entitled to a salute of 19 guns and the Rajah of Pudukkottai has been allowed a hereditary salute of only 11 guns though his predecessors were getting 17 and 19 guns. The Rajah at present is allowed customs facilities only when he lands in India from any foreign country. In the opinion of the Darbar the exemption from payment of customs duties is a privilege to be accorded to all princes exercising powers of sovereignty and there is no valid ground, so far as we can see, for making any distinction between those allowed a high number of salutes and those accorded a lesser number. We are not ourselves aware of the grounds on which the number of salutes have been fixed. However, judged by her history, the firmness and continuity of attachment of her rulers towards the English at critical times when their power in Southern India had not been established and the continuance of the same strong loyalty towards the person and throne of His Majesty the Emperor of India, the Rajah of Pudukkottai is entitled to the same privileges as the ruler of the foremost of the first-class States.

RADHANPUR.

(a) I do claim the Imperial Customs Revenue for goods directly imported into the State from foreign countries after allowing such charges as are thought proper and to be fixed for the proper maintenance of the port. My claim is supported on the elementary principles of economics that the revenue derived from any taxation on commodities consumed by the subjects of the State should belong to that State. The customs duties charged at the ports are in the nature of transit duties.

(b) The recent raising of customs duties has no doubt adversely affected the subjects of the State. The duties have been so raised mainly for giving protection and fostering industries in British India, but so far as the States are concerned they merely raise the price of articles consumed by the State subjects in the same proportion as they are consumed by the inhabitants of British India without giving the State subjects any corresponding benefit.

The State has also been adversely affected as the taxable capacity of the subjects is proportionately reduced, and taxes necessary for securing the revenues upon which administrative efficiency depends are rendered difficult of imposition.

(c) States cannot divest themselves of their right to levy duty for their revenue purposes on their subjects.

(d) On the same grounds on which exemption is allowed to those exempted.

SAMTHAR.

(a) The State does claim the Imperial Customs Revenue because duty follows consumption and because the customs duties in question are merely transit duties.

(b) The recent raising of customs duties have adversely affected the subjects of the State in that the articles consumed by the State subjects have been raised and their taxable capacity has been proportionately reduced and hence necessary taxes for improving administrative efficiency are rendered difficult of imposition. As the above taxes are generally levied for the protection of particular industries in British India the State derives no benefit in any form.

(c) As the customs duties of the imports consumed in the inland States are transit duties pure and simple, the State has no objection in abolishing duties of such nature which might be in existence here.

(d) Ruling princes not being subject to the laws of British India should not be liable to British Indian taxes.

BANSDA.

(a) Whatever the relations existing between the Indian States and the Paramount Power may be, it is an incontrovertible fact that the populations of Indian States have been subjected to the common economic and fiscal system.

Indian States naturally claim a share in the Imperial Revenue to the extent their subjects are indirectly taxed without getting a returning benefit. The grounds for this claim are in short as follows:—

(1) Whereas some States which possess a sea-board get a return of customs, others get nothing, although the commodities entering India are taxed on entrance and are consumed by the subjects of the States. The duties are collected by the Imperial Government and appropriated to the expenses of the Central Government. Thus, this system indirectly reacts on the economic life of the people of Indian States.

(2) According to the Customs Enactments of British India, the territories of States have been referred to as "Foreign territory" for the purpose of Customs duty. In practice, this principle is not recognised.

(3) When it is recognised that "independent powers" of Indian States also include full fiscal autonomy, it is inconsistent to indirectly tax the subjects of Indian States a right which belongs and ought to belong to Princes themselves.

(b) As stated above, the raising of customs duties from time to time, and that too, without consulting the States, both the States and their subjects have been since long adversely affected—the former by losing their legitimate income of duties charged on their commodities meant for the consumption of their own subjects, while the latter by having their living dearer day by day without at the same time getting a return. It may also be mentioned that the people of Indian States do not get the same opportunities and advantages of developing their industries as those in British India get. This is a matter of history, but unfortunately facts and figures are not available.

(c) As regards this State the question does not arise, as both the import and export duties have long since been abolished. As long as these duties are levied in British India on goods imported in States for consumption by States subjects, and on commodities exported from States to British India or some foreign territory, a share, to be agreed upon, should in justice be remitted from Imperial Revenue.

(d) As prevailing at present only those members of the Chamber of Princes who enjoy a distinction of 21 or 19 guns salute are given exemption from customs duties on articles imported for their personal use. Apart from the principle that all the Princes and Chiefs, including petty Chiefs having powers and possessions, should be given this privilege, it seems that the distinction created on the principle of salutes is invidious and unjustifiable. Considering the question of members of the Chamber, the principle of exemption should be extended to all the permanent members. This would thus include the case of all the Princes who enjoy full Civil and Criminal jurisdiction in their respective States. Even from a practical point of view Princes of smaller States enjoying the salute of guns below 21 or 19 would be more in need of exemption from customs duties.

Again, the same objection as applies to the indirect taxation of subjects of Indian States is applicable to the imposition of customs duties on articles meant for the personal use of the Princes. The Paramount Power cannot levy a tax on Princes enjoying full powers as if they were British Subjects. It cannot be gainsaid that even the concession claimed by Princes who are permanent Members of the Chamber would be a sorry one, as the subjects of such States cannot, as stated above, be subjected to taxation in British India.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

(a) As the consumption of the commodities takes place by the States' subjects within the State borders, the duty coming therefrom should belong to the State. It cannot but be said that to realise the customs

efficient administration has been kept—the coastal guard has been perpetuated, the State should get consequently a certain sum of the customs, regard being had to:—

(i) the cost of realising the same.

(ii) the population consuming the article.

(b) The raising of the customs has certainly affected the States' subjects. The State is affected when the subjects are affected. In absence of good statistical department in the State it is not possible to give actual figures.

(c) The State is not prepared to abolish its own import and export duties, because this being an inherent right and to part with it will be serious political loss, apart from this it will be economical strangulation. But on grounds of giving facility to State subjects this State can at a future time come to an understanding to abolish its export and import duties provided it does not get a sum less than it would be getting at the time of agreement from customs. There should be proportional increment every quinquennial period, bearing proportion to the increment the Imperial customs get. This State is not desirous of participating in any understanding at present owing to the fact that its customs department is still in its infancy and the potentiality of the growth is immense in comparison to what it is at present deriving.

(d) The ruling Princes should not be liable to British Indian taxation, as they are not British Indian subjects.

RAJKOT.

(a) Would it be impertinent if I said that at present there being a dearth of industrial enterprises in our country and all the more so in the Native States, therefore every article of utility has to be imported from foreign countries beyond the seas. This is not a deviation from the answer asked by you, but is most relevant, for it affects the basis of all Native States' existence. When every article of utility has to be imported from the countries beyond the seas, they naturally congregate at British ports, where facilities of all kinds are provided for docking purposes. The ports of the Native States in Kathiawar and also in the country, owing to the stringency of money, remain undeveloped, and even where developments are asked for to be made, questions about customs and ways of manipulating them in a way that it may not affect the British ports have constantly remained unsolved. The Native States have every right to develop their ports and levy such customs duties that would attract trade into their States. I am interested in this important general question because my State is not very far from the sea shore, and if the Princes were allowed their own sway the system would foster the prosperity of a large section of the country. When they contemplate to have a provincial Chamber, where Princes of the Province would deliberate questions appertaining to the weal of the country and make arrangements to exact such customs duties on various commodities to be imported at various provincial ports this procedure would attract trade into the provincial ports, and the inland towns would have equal opportunities of fostering their trades.

The Chamber may mark out various routes for transitory purposes of many kinds of imported goods at various ports which are to be sent into the country, where they may sell cheaper. The competition will be great and very advantageous to the country. According to the usages already in vogue, the goods imported in Kathiawar ports are considered as foreign commodities and an import duty charged by the Government if these goods penetrate in parts of British India. I may be allowed to allude here, that imported articles from Native States' ports in Kathiawar, if they are transitory materials going into other Native States, are allowed no duty and enter only charged with railway freight in the different Native States. This condition in existence at present is only tentative, but has served the purpose of visualising to States and their subjects that if the ports imported foreign goods, fair scope for business is left, and inland town merchants are waiting anxiously to see the developments and working of the ports completed in a way most satisfactory to all concerned.

From all this statement you will see that customs duties levied at the British ports are economically most injurious to our trades. Our subjects have to pay the freight on the goods, expensive godown charges in Bombay, commission to importing agents in Bombay or elsewhere, who, it is needless to say, have, owing to their permanent residence in maritime towns, commanded many foreign agencies importing goods in British India ports.

Under such circumstances every State's subject is placed, and the flow of wealth from the States has been great. They being producers of raw materials manage to pull on, but the result of this transaction of business has now greatly affected the States. The proposition is simple and salient enough, and my State, if it had not undertaken some mean industries, though in a very rudimentary state of existence, manages just to make two ends meet. The imported wealth nearly coincides with the manufactured wealth when the exports are added to it, and to meet the situation made worse by the financial ledger-drain by the Government of India, I am attempting to protect the further wasting of wealth from my State.

It is only from economic considerations that we are prompted to draw the Government's attention to what is happening in the innermost structures of our States. The Government's irrespective methods of levying customs duties on all imported goods in their ports, which have to penetrate into the interior of the country, the Native States, is detrimental to our interest.

If the Government will allow a few ports to import goods for the Native States at low import duty, our craving to ask for a share in the Imperial customs will for ever subcease. This procedure will substantiate all our claims for qualifying to attain self-government and inspire new life amongst all.

I have said that the provincial Chamber will put forward all their aspirations to the Government for guidance and final sanction, in my opinion leaves very little scope for considering this important question as not a practical affair.

When Government's intention is towards cautious movements, perhaps my essay will not convey any weight. But surely the corrosion already set in in the States, by which its wealth is slowly drifting

to outside places, requires immediate attention. After all, the States' rulers must do something to maintain and innovate methods to make their States prosperous.

(b) The answer I gave in my last statement decided this question and it does not require any further elucidation.

(c) States want to foster the weal of their States and would act in a way most beneficial to them. I do not promise to abolish the levying of import and export duties in my State even if the Government promise the quota of share due to me from the Imperial customs.

My object of indicating all this is only to show you why we fail to make our States as prosperous as the British India is.

(d) I do not make any claim of personal exemption from duties levied upon articles imported for my personal utility. The State and my personal self are not different identities from one another, and as such, I waive all my claims from such a demand. This customs question is most essentially affecting us and therefore I had to write on it, which would help you to draw deduction from the practical economic premises. I have also attempted to bring premises to your notice for inducting future procedures, which I think, when drawn from experience available in the British India are no longer speculative.

SACHIN.

(a) A proportionate share of the customs revenue derived by the Imperial Government should be refunded to the Indian States in proportion to their population.

(b) Yes. Regret figures not available at short notice.

(c) Yes.

(d) As prevailing at present, only those members of the Chamber of Princes who enjoy a distinction of 21 or 19 guns salute are given exemption from customs duties on articles imported for their personal use. Apart from the principle that all the Princes and Chiefs, including petty chiefs having power and possessions, should be given this privilege, it seems that the distinction created on the principle of salutes is invidious and unjustifiable. Considering the question of members of the Chamber, the principle of exemption should be extended to all the permanent members. This would thus include the case of all the Princes who enjoy full Civil and Criminal jurisdiction in their respective States. Even from a practical point of view Princes of smaller States enjoying salutes of guns below 21 or 19 would be more in need of exemption from customs duties.

Again, the same objection as applies to the indirect taxation of subjects of Indian States is applicable to the imposition of customs duties on articles meant for the personal use of the Princes. The Paramount Power cannot levy a tax on Princes enjoying full powers as if they were British subjects. It cannot be gainsaid that even the concession claimed by Princes who are permanent members of the Chamber would be a sorry one, as the subjects of such States cannot, as stated above, be subjected to taxation in British India.

SANGLI.

(a) The State does claim a share of the Imperial Customs revenue on the elementary principle of economics that the revenue derived from any taxation is the due of the Government whose subjects consume the commodities taxed or ultimately pay the tax.

The Sangli State claims a share of the Imperial Customs revenue, also because so far as it is concerned, the sea customs levied work out as transit duties on (1) any goods imported direct from outside India into the Sangli State and (2) any goods similarly imported from outside India into British India but which, on their arrival in the latter place, are not materially altered there by manufacture before they find their way into the Sangli State. Both the British Government and the Sangli State abolished transit duties in 1837 A.D.

The Sangli State claims a share in the Imperial Customs revenue also because by its Free Trade Agreement of 1886 with the British Government their trade relations with the State are governed by principles of free trade. The customs duties levied by the British Government are not in accordance with the spirit of the Agreement; and so, if the British Government levies duties, the State should have a share in the duties levied by British India at its ports. Sangli abolished its Customs duties during a period of Joint Administration, when the Sangli Administration was for practical purposes in the hands of the British Government. The fact that Sangli has no tariff should not preclude it from receiving the same treatment as the most favoured of inland States. Indeed its claim, on account of the abolition of its customs, to a share in the Imperial Customs revenue is all the stronger, since free trade was introduced into the State at the instance of the British Government in the belief that British India itself will adhere to the free trade policy. The State should, therefore, receive its share in the Imperial Customs revenue.

(b) The raising of customs duties cannot but affect the subjects of the Sangli State adversely. Import duties fall on the consumer; and so far as those subjects consume goods which have paid an enhanced customs duty, the prices they have to pay for these goods are higher. So long as it is granted that import duties fall on the ultimate consumer of goods, it is unnecessary to give particular instances of the fact that foreign goods imported into Sangli cost more than they would if there were no sea customs.

The State has been adversely affected also because the taxable capacity of the subjects is *pro rata* reduced and it becomes difficult to impose additional taxes on them for any administrative improvements.

Being a completely free trade State, Sangli has no trade statistics of external trade and so can supply no pertinent figures at present.

(c) The Sangli State does not at present derive any revenue from import and export duties, which it abolished in 1886 at the instance of the British Government during the days of the Joint Administration. As the State then adopted free trade in the belief that British India would adhere to the free trade policy, it is now all the more entitled to receive its share in the Imperial Customs revenue.

(d) The following are the grounds on which the Ruler of Sangli prays for exemption from the payment of customs duties on articles imported for his own personal use and the use of his family. (1) He is not a British Indian subject, nor subject to the laws of British India, although he does not admit the right of the Government of India to tax the subjects of his State indirectly. (2) It would be in accordance with the usual courtesy that being a Ruler, he should be immune from such taxation. (3) It may further be pointed out that in early British days he used to receive such exemption. Mr. Elphinstone had made it clear before the conclusion of the Agreement of 1819 with Sangli that "such exemptions from Customs as may have been usually granted may be continued." (*Vide* West's Memoir, page cxlviii.) The Ruler of Sangli obtained permits to pass his articles "unmolested and free of customs duties" from Poona to Sangli and from Bombay to Sangli on various occasions, e.g., on the 9th October, 1824, and 10th October, 1828 (*vide* Appendices 1 and 2). The deprivation of this privilege is against the spirit of the treaty with the State which provides that "you shall in no respect suffer injury" (*vide* extract from Article 7 of the Agreement of 1820—Appendix 3). (4) The Ruler abolished import and export duties in his State so long ago as in 1886.

APPENDIX 1.

Copy of Government permit dated 9th October, 1824, issued in favour of the Ruler of Sangli.

Permit the bearer Limba to pass unmolested from Bombay to Sangli with 50 Tumblers [Chandeliers] for Chintaman Rao Appa Patwardhan, free of all customs.

APPENDIX 2.

Copy of Government permit dated the 10th October, 1828, issued in favour of the Ruler of Sangli.

Permit to pass unmolested and free of custom duties from Poona to Sangli 2 camels and 4 tuttoos laden with 5 pieces of sack cloth, 12 saddles of horses, 20 pairs of shoes, 10 pairs of stirrup, 10 pairs scabbards, 3 maunds chauk, 2 pieces of puttoo, 1 dozen sankun, 20 pieces of Dungry cloth, 10 pieces of wax cloth, 1 piece of blanket and utter rose, etc., belonging to Chintaman Rao Appa Saheb Sanglikar the value of which is Rs. 901. This passport to have effect for 20 days from this date.

APPENDIX 3.

Extract from Article 7 of the Agreement of 1820.

"They (the Government) will attend to any of your representations, and will decide equitably upon them; you shall in no respect suffer injury, but will of course be supported as far as it is just."

SAWANTWADI.

Under an Agreement dated 15th September, 1838 (No. CXIV. of Aitchison's Treaties, Vol. II, Fourth Edition), the British Government took over the sea and land customs of the Sawantwadi State on payment of compensation equivalent to the average revenue realised during the previous three years, i.e., 1834-35, 1835-36, 1836-37. The following is an extract of a letter No. 2320, dated Bombay Castle, 22nd June, 1838, from Acting Chief Secretary, to the Acting Collector, Ratnagiree:—

* * *

"I am directed by the Right Honourable the Governor in Council to acknowledge the receipt of your letter No. 53, dated the 27th April last, regarding the adoption of measures with the view to protect our salt revenue, by preventing untaxed salt from being conveyed from Goa through the Warry territory into the Deccan.

From the information before him, the Governor in Council is quite satisfied that Government only purchased from the Raja of Warree the right to the Customs on goods passing along the road from Vingorla to Belgaum via the Ramghaut, and that we cannot claim to use that right in order to stop the transit of goods between the Goa and Warree territories.

It is manifest, however, that Government must possess the right to prevent Goa Salt from passing into the Deccan. This object may be attained by prevailing on the Raja, either to make over to us the privilege of collecting the customs, and at our own rates on all goods or on certain specified goods crossing the Vingorla road, or to cede to us (which would be a far more efficacious plan) the custom Nakas on the whole line of his frontier with Goa."

* * *

This extract shows that the main reason for the British Government desiring to take over the Customs of the State was the protection of the British Indian Salt revenues. In view of the impending political changes contemplated in British India, and also in the light of the elementary principle of economics that the revenue derived from any taxation is the due of the Government whose subjects consume the commodities taxed, the Sawantwadi Durbar expects that the above agreement should be revised so as to enable the State to replenish its revenues to meet the ever expanding wants of modern administration.

(a) On the principle of economics enunciated immediately above the States do claim a share of the Imperial Customs revenue.

(b) The recent raisings of customs duties have undoubtedly affected adversely the subjects of the States. These are in the main protective duties, and while in British India they may foster industries, in the States they merely raise the price of articles consumed by subjects of States in the same proportion as they are consumed by the inhabitants of British India. It is regretted that the facts and figures cannot be quoted.

(c) Owing to the Customs Agreement of 1838, this question does not arise.

(d) A lump sum of Rs. 500 is paid by the British Government annually to the State under the aforesaid Agreement on account of articles imported from Goa for the use of the Ruler and his Darakdars in lieu of

exemption of duties. No exemption, however, is enjoyed by the Ruler from payment of duties on goods imported for his personal use or the use of his family from places other than Goa. It would be in accordance with usual courtesy in such matters that a Ruler enjoying Sovereign rights should be immune from taxation. The distinction based on salutes is not a proper criterion.

NOTE ON FINANCIAL AND ECONOMIC MATTERS.

The full internal independence of the Sawantwadi State recognised and guaranteed by Article 6 of the Treaty of 1819, necessarily involves complete autonomy in economic and financial matters. The same is the position as regards the other States of India having the same relations with the British Government as Sawantwadi. In the past, and even at the present time, restrictions have been placed on this autonomy of such States in the case of certain financial and economic matters under the cloak of political usage. These restrictions have been in most cases forced on the States in the interests of British India to the detriment of the States' revenues and finances. Such interference, overriding as it does the spirit and express provisions of Treaties, is not justifiable, and in equity should cease. The British Crown has pledged itself to protect the interests of the States as well as those of British India, and the interests of one should not be sacrificed to the interests of the other. The resources at the disposal of Indian States are as compared with British India very limited, and it is only just that the former should be allowed to develop what resources they have to their fullest extent. In brief, such matters are for mutual agreement between the Government of India and individual States, but where such agreement cannot be reached, no measures should be adopted and no restrictions should be placed which would disturb the internal autonomy of that State guaranteed by the solemn provisions of its Treaties.

It has been stated above that in most cases restrictions in certain financial and economic matters have been placed in the interests of British India. In the other cases, restrictions have been put with the benevolent purpose of preventing fraud or improper exploitation of the States' resources by unscrupulous capitalists and adventurers. Now, however benevolent the purpose may be, this action of the Government of India clearly interferes with the autonomy of the States guaranteed to them by Treaties, and as such it is viewed with grave concern by the Ruling Princes concerned. Moreover, during the present period of general enlightenment and education, the necessity for such interference no longer exists in most States. Thus, in consonance with Treaty relations it is but proper that this class of restrictions should also be done away with.

WANKANÉR.
WADHWAN.
MULI.
KOTDA SANGANI.

SAYLA.
THANADEOLI.
MALIA.

(a) I claim exemption from Imperial Customs Duties which could be effected either by allowing goods imported into my State to pass duty

free or, if duty be levied in the first instance, by refunding the amount so levied, as is done in the case of Kashmere. If for any good reasons this request cannot be accepted, as a last resource I claim a share of the Imperial customs revenue. I base my claim on the following two grounds:—

- (i) It is an elementary principle of economics that the revenue derived from any taxation, is the due of the Government whose subjects consume the commodities taxed.
- (ii) The imposition of the customs duties at sea ports on goods meant for inland States is in the nature of transit duties which have been given up by the Native States as long ago as A. D. 1863, in conformity with the views of the British Government (vide references in Appendix A).

(b) The recent raisings of customs duties have undoubtedly affected adversely the subjects of the States (*a fact so self-evident that no statistics are necessary to support the statement) (and require no figures for supporting the contention for the claim). These are in the main protective duties and while in British India they may foster industries or otherwise enure to the benefit of British subjects, in my State they merely raise the price of articles consumed by State's subjects to the same extent, if not more, as in British India. My State has also been adversely affected, since the taxable capacity of my subjects is *pro rata* reduced, and taxes necessary for securing the revenues upon which administrative efficiency depends, are rendered difficult of imposition.

(c) Since the right of this State to tax its subjects cannot be questioned, the abolition of State's Import and Export duties cannot be made a condition precedent to an acknowledgment by the Government of the just rights of the States in regard to a share in Imperial customs revenue. Complete fiscal autonomy which is the inherent right of all States includes the right of levying duties on imported and exported goods. The only right which the States have abandoned is that of levying transit duties on goods passing through to destinations beyond the States. By entering upon a protective policy the Government of India have so far as the Indian States are concerned brought the commercial relations of the Indian States with British India into a direct conflict with the economic principles well recognised throughout the civilised world. What the States ask for is that the British Government do remove this anomaly and fall in a line with the rules obtaining in all civilised countries, as it once asked the Indian States to do. To ask the States if they are prepared to abolish the import and export duties levied at their own doors, if they are given a share in the Imperial customs revenues, is to demand from them a price for the redress of a grievance which is telling upon the prosperity of the States by reducing the taxable capacity of their subjects.

These customs have been levied by my State since very very long before the British Indian Government entered upon the Protective

* In replies of Wankaner, Wadhwan, Sayla and Thanadeoli States only.

† In replies of Kotda Sangani and Malia States only.

Policy, as one of the items of revenues next to land revenue, just as income tax is in British India. My State therefore cannot be expected to give up its time honoured right of levying import and export duties for the redress of a grievance to which it is entitled on broad and accepted economic principles.

(d) In view of the remarks made above if this State is to be exempted from paying Imperial customs duties the question of exemption from duty of goods imported into the State for my personal use and my family calls for no special consideration.

The only question that remains is the exemption from imperial customs duties of goods meant for my personal use and my family when not immediately consigned to the State, or if the remedy of allocation of Imperial customs revenue as set forth above be resorted to. In these cases also the State thinks itself entitled to an exemption as set forth in para. 5 (d) as a matter of courtesy due to rulers enjoying sovereign rights.

APPENDIX A.

Abolition of other levies of the same class as the Transit-Duty which existed at the time the Kathiawar Chiefs gave it up in 1864-65 and sprang since then.

A No. 1210 of 1873.

To All the Assistant Political Agents in charge of Prants.

Rajkot,

21st June, 1873.

Sir,

In forwarding copy of Government Resolution, No. 3475 of 5th June, I have the honour to explain, that whereas the Chiefs of Kathiawar voluntarily gave up in 1864 and 1865, the collection of Chilo or Transit Duty, and whereas other levies of the same class either then existed or have since sprung up, it is declared by Government that the States were understood to have given up in 1864-65, all imposts on goods in in transit levied without any return. Therefore under whatever name, imposts coming under this description are levied, I request that you will explain to the Chiefs that they must be abolished.

J. B. PEILE,

Acting Political Agent.

(“Kathiawar Agency Gazette,” dated 10th December, 1863 Vol. 1, page 169.)

To The Chiefs, Talookdars and Bhoomias of Kattywar.

(After Compliments).—It has been brought to my notice that a Chief has prohibited the passage of grain through his country. This is altogether wrong, and will not be permitted.

It has long been a rule in Kattywar that no State is to levy any Transit Duty in excess of the scale sanctioned by the old and well established custom.

There are several hundred separate jurisdictions in the Peninsula, and if each Talukdar, was permitted to levy Transit Duty according to his discretion, or to prohibit the passage of merchandize or food through his lands, the Central States might suffer the most severe hardships.

I have requested Officers in charge of Districts, in the event of any State disobeying this order, to lose no time in bringing the matter to my notice.

Wadhwan, 4th December, 1863.

R. H. KEATINGE,
Political Agent.

AKALKOT.

(a) The State is annually in receipt of Rs. 9,606 in lieu of customs; but the amount is fixed and does not change with the rise or fall in custom revenue. It is claimed on behalf of the State that the compensation should be revised every five years in order that the State might share in the rise in the revenue.

(b) The raising of the customs duties has adversely affected the taxing capacity of the State subjects. At present the incidence of taxation per head of populaion based roughly on the gross revenue of the State is about Rs. 7 1/2 per head of population and it would strain the taxable capacity of the subjects if further taxation is imposed to secure administrative efficiency and the much needed public improvements. The recent revision of customs duties is mainly confined to protective duties and while it may foster industries in British India, it will merely raise the prices of articles consumed by the State subjects.

(c) The State has already abolished transit duties (*vide* G.R. No. 4107 of 19.7.1886). It is, therefore, equitable that the State should receive its share of Imperial customs duties which should not fall below the figure based on the figure of population and that it should be open to revision from time to time.

(d) Ruling Princes, not being British Indian subjects, are not subject to the laws of British India and should not be liable to British Indian taxation and the right cannot be admitted; but assuming that the practice is in accordance with usual courtesy in such matters, the Ruler of this State should be immune from such taxation.

AUNDH.

A large amount is collected by the Imperial Government on account of Customs Duties. This is an indirect tax on the State subjects and it is, therefore, quite necessary that the States should get a proportionate share of this income in proportion to the population. The State is prepared to abolish import and export duties in case the Imperial Government agrees to pay a proportionate share of the customs revenue. All the Ruling Princes and Chiefs should be exempted from the payment of customs duties on articles imported for the personal use of themselves or their families.

BHOR.

(a) The Bhor State thinks that it is entitled to claim a share of the Imperial customs revenue in proportion to its population on the elementary principle of economics, that the revenue derived from any taxation is the due of the Government whose subjects consume the commodities taxed.

(b) The recent raisings of customs duties have undoubtedly affected adversely the subject of the States. In British India they may be fostering industries to some extent but in the States they merely raise the prices of articles consumed by the subjects of the States. The States have also been adversely affected by the increase in the customs duties, since the taxable capacity of the subjects is pro rata reduced and taxes necessary for securing the revenue upon which administrative efficiency depends, are rendered difficult of imposition.

(c) The State was required to abolish import and export duties in the year 1887 A.D., in pursuance of the suggestion of British Government. This caused an annual loss of income of about Rs. 6,500 to the State revenues at that time. Hence there is no question of the abolition of these duties on condition of receiving a share of Customs revenue so far as this State is concerned. However, in consideration of the fact that this Durbar has abolished these duties in order to meet the wishes of Government so far back as in 1887 it has a stronger claim to receive a share of the actual Imperial Customs revenue at present on the basis of its population of 130,420 souls.

(d) Ruling Princes not being British Indian Subjects, nor subject to the laws of British India should not be liable to British Indian taxation. This question assumes the right of the Government of India to tax the subjects of the States indirectly. In this connection it is urged that a ruler enjoying sovereign rights should be immune from such taxation in recognition of the above principle. I have further to urge that the distinction of giving exemption from customs duties to Princes who are members of the Chamber in their own right and withholding the same from others who are not members in their own right is invidious and thoroughly unjust. As a matter of fact this exemption is claimed on the ground of Sovereign Status. It is in the nature of an international obligation and this analogy all the Indian States which are Sovereign in their internal affairs are entitled to this exemption. The qualification of being a member of the Chamber in one's own right has absolutely nothing to do with this exemption. If this qualification is based upon the possession of the honour to gun salute, this State can claim the exemption on that ground also, as His Majesty has recently conferred the honour of a dynastic salute of 9 guns upon this State. There are only 8* marginally noted States which although they have been invested with a dynastic salute of 9 guns are excluded from the permanent membership of the Chamber, that is enjoyed at present by 108 States in all. It is not understood why these 8 dynastic States should be held not to be entitled to claim exemption from Customs Duties, because they do not happen to be permanent members of the Chamber.

* Mayurbhanj, Patana, Kalahandi, Sonpur, Shahapura, Bhor, Nagod, Barundha.

PHALTAN.

(a) This State does claim a share. The most important ground on which it does so is the universally accepted principle that the incidence of customs duties should fall on the subjects of the Government which levies it, and profits by it. There is evidence to show that this State used to levy transit and import and export duties until the time it agreed to abolish them to conform to the Free Trade policy of the Paramount Power. But that policy is now definitely abandoned and customs duties are levied in British India mainly for augmentation of revenue and secondarily to afford protection to Indian industries. It will be seen that as those duties are levied by a Government other than the State's Government and utilised for its subjects, the Phaltan Darbar must get a share in it, these customs duties being nothing else but transit duties. Also it is but natural that the State's people, who pay these duties, have a right to expect the benefits of it, either in the form of increased conveniences of life or reduction of other taxes or both.

Apart from these there is another ground justifying this demand for a share. The States are financial losers by accepting the Free Trade policy, adherence to which has not been possible even for the Government of India. Loss on this and other accounts has been to some extent responsible for lowering the efficiency of administrations in the States. It is, therefore, unfair to deny to this State its proper share of the customs duties, which can be determined on the population basis.

There is one more point. By means of the customs duties, the British Government is indirectly taxing the subjects of this State, which is detrimental to the internal sovereignty of the State, and it is submitted that this is not in conformity with treaty rights.

(b) Surely this State is adversely affected. For the recent rise in prices of duty-paid goods is mainly due to the levy of these protective duties. This rise in prices is compensated to British Indian subjects by return in other ways. But this is not the case with the State's subjects, who have merely to bear the additional burden, without any compensating advantages. The State itself is also a loser for reasons stated in reply to Question 5 (a) above, which apply here in a greater degree.

It is not possible to quote facts and figures; for there was no necessity up to now to keep such records. Besides, as there are various avenues through which goods pass into the State from British India, it is difficult to keep such a record.

(c) This question does not arise in the case of this State, as it has already for so many years abolished these duties.

(d) This question is based on a wrong assumption. The question of being or not being a member of the Chamber, in one's own right, has nothing to do with these exemptions. These exemptions have their origin in the international custom of showing respect to and upholding the dignity of foreign potentates and their families. Therefore, it follows that all States who enjoy full internal sovereignty, as is the case with the Phaltan State, have a right to expect this courtesy shown to them by the Paramount Power. This same—enjoyment of full internal sovereignty—should really be the qualification

for a seat in the Chamber, in one's own right. If this test is once accepted the invidious distinction underlying this question would disappear.

MIRAJ (Senior).

Questions (a), (b) and (d) are one group interrelated to one another. The answer from this State would be that I would certainly claim a share in the Imperial customs net revenue. The grounds on which such a claim is based have been fully described in paragraphs 48 to 52. Briefly stated they are:—This State has a complete internal sovereign right; it has the right to levy its own taxes as it used to do; by a convention Government have obtained the abolition of these taxes under political influence. This has seriously crippled the resources of this State and an indirect taxation is being enforced on the people of the State. Both the State and the people have suffered. It follows one of the two only methods of dealing with the question is possible. Either the State should be permitted to levy its own duties, or its claim to a proportionate share in the Imperial customs proceeds should be allowed. There is no third solution possible. That the State have the right is proved by the fact of the written agreement. The same document will prove that it has been abolished at the instance of Government. It is unnecessary to go beyond these facts. Government clearly admit that the step was necessary for the promotion of free trade, vide heading of the Agreement.

If it is decided to grant a reasonable share first by recognising the right of the State to levy its own customs, and that therefore this State is entitled to it, two important points arise from such a decision. The State's right to be consulted in fixing the rates and also in the decision of the proportionate share would naturally be allowed; I trust they will be looked upon by your Honourable Committee as a necessary corollary. The question of the proportion payable to a State, if that step is decided on as it was decided by the Royal Irish Commission under similar circumstances, may be solved by the adoption of a *per capita* rate on population. It is a matter of common knowledge that all other methods of calculation have been discussed by the Indian Tariff Board and have been found unsatisfactory. My State will, of course, abolish very reasonably the levy of customs within my State during such arrangement, if that arrangement is approved and sanctioned by Government and the State.

As regards Clause (c), there was no need of keeping statistics of the adverse effect of the increase in the tariff rate on my State and on my people; as none have been kept they cannot be produced. But an increase in the tariff must mean an increase in the taxation, and the result must be adverse.

It would only be a necessary item of courtesy and respect to a ruler and his family to exempt taxable goods required for their personal use, and I do not believe that any difficulties would arise in making allowance for such a small matter, having regard to the need of paying due respect to a ruler's position.

MIRAJ (Junior).

(a) The Miraj Junior State claims a share of the Imperial Customs revenue on the elementary principle of economics, that the revenue derived from any taxation, is the due of the Government whose subjects consume the commodities taxed. We are entitled to our fair share of the Customs revenue and it would be in the highest degree not only politic but just on the part of the Government of India to take an early opportunity of announcing the acceptance of the principle. The net revenue derived from Customs duties should be divided between British India and the States in proportion to their population.

(b) The recent raising of customs duties have undoubtedly affected adversely the subjects of this State. These are in the main protective duties and, while in British India they may foster industries, in this State they have merely raised the price of articles consumed by the State's subjects in the same proportion as they are consumed by the inhabitants of British India. The States themselves have also been adversely affected since the taxable capacity of the subjects is pro-rata reduced and taxes necessary for securing the revenues upon which administrative efficiency depends, are rendered difficult of imposition.

(c) Since the right of this State to tax its own subjects cannot be questioned, the abolition of State's import and export duties cannot be made a condition precedent to an acknowledgment by the Government of the just rights of the States in regard to a share in Imperial Customs revenue. But in the interests of its subjects, this State would be prepared to consider such abolition, on condition that the amount payable to this State should be open to revision from time to time.

(d) Ruling Princes, not being British Indian subjects, nor subject to the laws of British India, should not be liable to British Indian taxation. This question assumes the right of the Government of India to tax the subjects of the States indirectly. I do not admit this right, but assuming the practice, it is in accordance with usual courtesy in such matters that a Ruler enjoying Sovereign rights should be immune from such taxation.

JAMKHANDI AND RAMDURG.

(a) Yes. Because the incidence of the taxation falls upon the subjects of the Indian States as they consume these goods. The principle in such cases is that duty ought to follow consumption. By reason of the agreements concluded with the Southern Maratha States, all export and import duties within the limits of these States have been abolished with a view to promote free trade in 1886. It was not then in contemplation of these States, that the British Government, after all the interstatal barriers have been removed, would impose customs duties for financial purposes. The customs duties in British India are recently rising by leaps and bounds and they are in the neighbourhood of 48 crores of rupees at the present moment. The duty-paid goods are consumed by State subjects as the goods are imported freely in the State territories. The British Indian Government has been indirectly levying taxation on Indian State subjects which is not justified by any treaty rights. It is, therefore, just and equitable that our States should be given a share of customs revenues, in proportion to their population.

(b) Yes. The increasing of customs duties has increased the prices of the commodities. As these commodities or goods are required for the necessities of life and are coming into State territories freely and without any interruption, the subjects of our States are required to pay higher prices for the self-same commodities, by reason of the enhancement in the duties imposed upon them.

It is not possible to quote exact figures. No register of goods coming into States territories is kept nor is it possible to keep one of this character. There are various avenues, through which the goods are passing into State limits. The inland States such as those of ours are interlaced with British territories. It is not possible to keep a tariff cordon, all round the State limits. The only way by which this share of contribution can be approximately fixed is that it should be determined on the basis of population. If there are certain commodities which are liable to customs duties, but, which are never consumed in Indian States an exception may be made about such goods.

(c) Yes. By our agreement entered into in the year 1886 we have abolished all import and export duties on all goods and this state of things has continued for over 32 years and our States have been sufferers by reason of the enhanced customs duties since the year 1917. British India continued to be a free trading country up to 1894 but since that time this policy has been abandoned and customs duties are levied for financial purposes. In view, therefore, of the solemn agreements concluded with the British Government about the abolition of export and import duties in our States, we are in justice entitled to an adequate contribution from the customs revenues of British India, in proportion to our population.

(d) We contend that the distinction of giving exemption from customs duties to Princes who are members of the Chamber in their own right and withholding the same from others who are not members in their own right is invidious and thoroughly unjust. As a matter of fact, this exemption is claimed on the ground of Sovereign Status. It is in the nature of an international obligation and on this analogy all the Indian States which are Sovereign in their internal affairs are entitled to this exemption. The qualification of being a member of the Chamber in one's own right has absolutely nothing to do with this exemption. This qualification is based upon the possession of the honour of gun salute. But salutes and exemptions from duties have got no connection either in international practice or in the recognised principles of taxation. We, therefore, emphatically protest against this invidious distinction. We further maintain that exemption should be allowed to all States, Sovereign in their internal affairs. These two States of ours fulfil this description and are Sovereign in their internal affairs. We, therefore, submit that this exemption from customs duties on articles imported for personal use of the Rulers of these States should be extended to them.

SAVANUR.

(a) The State has to depend entirely on goods (except foodstuffs) sold in British India. The merchants of British India do a large amount of business with Indian States and I request Government that some share may be given from the Customs Revenue.

(b) This State has, at present, no import or export duties, but if the duties were made applicable, I would be willing to abolish the duties.

(c) I would request Government that all States with criminal and civil jurisdiction should be exempted from payment of customs on articles imported for their own use, on only one ground, viz., as courtesy towards the chiefs from the Paramount Power.

Government are pleased to show courtesy to chiefs in various ways and this also may be added to the list.

The chiefs will very greatly appreciate this and it will help to show some difference between the rich merchants and gentry of India and the chiefs.

KURUNDWAD (Senior).

(a) Yes. Because the incidence of taxation falls upon the subjects of the Indian States as they consume these goods. The principle in such cases is that duty ought to follow consumption. By reason of the agreements concluded with the Southern Maratha States all export and import duties within the limits of these States have been abolished with a view to promote free trade in 1886. The customs duties in British India are recently rising by leaps and bounds. It is, therefore, just and equitable that this State should be given a share of customs revenues in proportion to its population.

(b) Yes. The increasing of customs duties has increased the prices of the commodities. As these commodities or goods are required for the necessities of life and are coming into State territories freely and without any interruption, the subjects of this State are required to pay higher prices for the self-same commodities by reason of the enhancement in the duties imposed upon them.

(c) Yes. By our agreement entered into the year 1886, we have abolished all import and export duties on all goods and this state of things has continued for over 32 years and this State has suffered a great deal by reason of enhanced customs duties since the year 1917. In view, therefore, of the solemn agreements concluded with the British Government about the abolition of export and import duties in this State, this State is in justice entitled to an adequate contribution from the customs revenues of British India in proportion to the population of this State.

(d) I contend that the distinction of giving exemption from custom duties to the princes who are members of the Chamber of Princes in their own right and withholding the same from others who are not members in their own right is invidious and highly unjust. As a matter of fact, this exemption is claimed on the ground of sovereign status. It is in the nature of an international obligation and from this analogy all the Indian States which are sovereign in their internal affairs are entitled to this exemption. This distinction seems to have been made on the basis of honour of gun salute. I emphatically protest against this invidious distinction and maintain that exemption should be allowed to all States which are sovereign in their internal

affairs. This State is a sovereign State in its internal affairs. Therefore, I submit that this exemption from custom duties on articles imported for personal use of the ruler of this State should be extended to this State also.

VADIA.

VIRPUR.

LAKHTAR.

The State does not desire to claim a share of the Imperial Customs Revenue; and as it does not so desire, it considers that any discussion on its part on the question of levy of customs duties by the Government is unnecessary, though it believes that such levy has adversely affected the subjects of the States and even the States themselves, as the taxable capacity of its subjects is *pro rata* reduced and taxes necessary for securing the revenues and upon which administrative efficiency of the State depends, are rendered difficult for imposition. The State is further not prepared to abolish its export and import duties on condition of receiving a share to be agreed upon, of the Imperial Customs Revenues, not because it does not desire to claim a share therein, but because it cannot divest itself of its right to levy such duties for its revenue purposes from its own subjects. Such a right to tax its subjects is unquestioned. As regards its claim for exemption from payment of customs duties on articles imported for the personal use of its ruler or his family, it feels that it is entitled to make such a claim on the same grounds on which exemption has been allowed to those already exempted. The exemption in question is justified by the fact that the ruler of a State or his family is not liable to such taxation on any reasonable grounds. It is, moreover, in accordance with usual courtesy in such matters that a ruler enjoying sovereign rights, should be immune from such taxation.

But the State trusts that in any general scheme of adjustment that may be framed by the Government on the recommendation of the Committee in this matter, this State would be given the same benefit as the other States similarly situated

THARAD.

(a) Duties on practically all imports and exports of India are levied at the British Indian ports and are entirely credited and appropriated to themselves by the Central Government of British India. The yield of these duties in the aggregate, is not legitimately British Indian Revenue. The spirits of the treaties and engagements, the provisions in the British Indian Laws, the practice prevalent in Foreign countries and also in some of the States in India, all combine to prove that of the total receipts of the duties levied, the British Indian Government is entitled to retain only that portion which is really contributed by their own subjects. Economists all over the world are of one opinion on the

point, that the incidence of import duties mainly falls on the consumer and of the export duties on the producer. It is therefore obvious that taxes should be levied by the authority which can utilize their proceeds for public expenditure, in the territories where the incidence falls. If it be argued that the States as a body benefit by the expenditure from the Imperial revenues then it may be replied that, that is undoubtedly no justification why this state of affairs should continue any longer. If the British Government confers (and so it does) any benefits upon the States it is incidentally enabled to do so by virtue of its paramountcy of which the benefits are a necessary consequence. It may be remarked here that these benefits both direct, indirect, and however varied, are at any rate not equivalent to the burden laid upon the States.

It cannot be said that this right of the States is in any sense novel or that its consciousness has recently dawned upon them. The territories of the Indian States were recognised as foreign territories in the acts of 1863, 78 and 94 and the scales of rates slid over a narrow margin and so the duties accordingly paid were negligible when compared to the costs of carriage, etc. During the last Great War however the Imperial Government found that their revenues fell below the expenditure and therefore they had no alternative but to raise the deficit by having resort to this indirect method of taxation. As a matter of pressing urgency attention was focussed on the issues of immediate moment and the side issue, viz., incidence of taxation on the neighbours naturally escaped the notice of the Government of India. For the States also it was an inopportune time to put forward their claim to a share of the income and so they assumed the policy of forbearance.

(b) The recent raisings in the Customs duties undoubtedly adversely affect the subjects of the States. These are in the main protective duties which foster industries in British India, but at the same time highly raise the price of articles consumed by the inhabitants of the Indian States. The exact figures for these cannot be given as it would be a laborious task and there is no time to work them out, but it may be remarked that the States themselves are adversely affected. Since the taxable capacity of the subjects is pro rata reduced, the taxes which are necessary for securing revenues which would adequately meet expenditure of efficient administration are rendered difficult of imposition.

(c) The States have already enjoyed, as they have undoubtedly a right to, complete financial autonomy. The abolition of the State import and export duties cannot therefore be made a condition precedent to an acknowledgement by the Government of India of their just and legitimate rights with respect to a share of the Imperial Customs Revenue. But in the interests of its subjects this State would be prepared to consider such abolition, on condition that the revenue derived from its share of Imperial Custom duties does not fall below the figure derived at present from the State's import and export duties and that the amount payable to it should be open to revision from time to time.

(d) Ruling Princes who are not British Indian Subjects should not be held liable to British Indian Taxation. This involves as it were the assumption of the right of the Government of India to tax the subjects of the States indirectly, but here it may be remarked that

this State does not admit the right. Assuming the practice however it is in accordance with usual courtesy in such matter, that a Ruler enjoying Sovereign rights should be immune from such personal taxation.

WAV.

The State is really entitled to a share in the Imperial Custom Revenues and the grounds for such a claim are so obvious; but it is not understood why the Indian States Committee want the States as a condition precedent, to abolish export and import duties. With all due deference to the members of the Committee (and they are all very experienced, broad-minded and justice-loving gentlemen) I fail to understand why the States should not be left to themselves in matters of their purely internal revenue administration; to put it in clear words and to be perfectly frank, even at the cost of being not regarded as a Diplomatist, I fail to understand how the question of abolition or otherwise of import and export duties by States at all arises. I have looked at the question from its various view points and have given my careful consideration to its solution but to me it has remained a puzzle of great difficulty.

BHADARWA.

(a) The foreign goods and articles that are imported into India and the goods that are exported from here to foreign countries are subject to Imperial custom revenues. Thus the Imperial Government alone recovers the custom revenue so it is respectfully requested that my State can claim to have some share in custom revenue in proportion to the quantity of foreign goods imported into and exported from my territory. Benign British Government may please consider this question as I do not recover any custom revenue though I have a mind to do so. I have postponed recovery of the same with a view that commerce might prosper.

(b) Raising of custom duties, I may, please, be allowed to remark, is sure to affect the consumers adversely. Indirectly, subjects have to pay heavy charges on the goods of daily use purchased by them, on which custom duty has been raised, though it may not affect the subjects directly. I humbly opine that it is in no way desirable in the interests of subjects as a whole to exact or levy custom duty more than what is required for administrative purposes.

(d) As requested in the outset I claim exemption from paying custom duties on foreign goods as I do not charge it for the goods that are exported from here.

SONPUR.

Adverting to questions numbered 5 (a), (b) and (c) it may be generally remarked that the State of Sonpur is situated away from commercial centres and it will not be to the profit of the State to

claim any share in the Imperial Custom Revenue. The State of Sonpur will not grudge receiving or purchasing articles from outside the State with Customs duty added to the purchase price of the articles, if the articles sent out from the State into British India are not taxed, as at present in taking some articles for personal use into the Sambalpur town the Ruler and his people are required to pay octroi duty and so goods brought into Sambalpur by Sonpur traders are levied with octroi duty. In consideration of this State's foregoing claims in respect of what has been mentioned under Question 5, octroi duty in British India should be remitted in favour of the State. The sellers of all classes of goods may easily take out certificates from the State and on the strength thereof they may sell their articles wholesale to merchants at Sambalpur, and so the procedure will not be a complicated one. Simpler will also be the non-levying of duty upon the personal article of the Ruler and his people as a declaration with the articles may very easily accompany. Participation of profit in the Imperial Customs Revenue is not claimed and the State does not also forego the right of levying taxes on imports and exports.

SERAIKELLA.

KHARSAWAN.

Ruling Chiefs, not being British subjects, nor subject to the laws of British India, should not be liable to British Indian taxation. The question assumes the right of the Government of India to tax the subjects of the States indirectly.

I do not admit this right, but assuming the practice, it is in accordance with usual courtesy in such matters that a Ruler should be immune from such taxation.

GANGPUR.

Ruling Chiefs are not British Subjects nor does their territory form part of British India and British laws do not apply to them, so they should not be liable to British Indian taxation. The question assumes the right of the Government of India to tax the subjects of the States indirectly. I do not admit this right, but assuming the practice, it is in accordance with the usual courtesy in such matters that a Ruler should be immune from such taxation.

BONAI.

Ruling Chiefs, not being British subjects, nor subject to the laws of British India, should not be liable to British Indian Taxation. The question assumes the right of the Government of India to tax indirectly the subjects of the States. I do not admit this right, but

assuming the practice, it is in accordance with usual courtesy in such matters that a Ruler enjoying sovereign rights should be immune from such taxation.

PIPLODA.

(a) The Piploda State claims a share of the Imperial Customs Revenue. The most cogent reason for the claim is that Piploda being a part and parcel of India considered as a whole, the tax levied by the Imperial Customs Departments at the Ports (Bombay, Madras, Calcutta, Karachi, etc.) and at other places, also falls on the people of the State. For instance cloth, leather goods, medicines, wines, perfumes, cutlery, machinery, stationery, books, watches, clocks, glassware, hardware, etc., articles too numerous to detail, are purchased, used and consumed by the people here as much as by the people residing in other parts of India. It is, therefore, fair that Piploda should receive a share of the profits made by the Imperial Customs Department. The easiest and most satisfactory way to do it would be to grant profits calculated on the population of the State as compared with the whole. This method of calculation and distribution of profits will be highly satisfactory and will eventually be universally approved. Other methods of distribution of profits will cause irritation in the minds of some and the generosity of the Government will be repaid by raising frivolous objections and creating difficulties which it would take years to overcome. The uniform and universal rule herein suggested will obviate all this and no necessity would arise to call for facts and figures, and the time and labour required for their verification would be avoided. The same line of action is respectfully suggested for sharing the profit received from export duties, barring the profits drawn by the Customs Department on such articles as are special to individual States, for instance some States produce gold, diamond, manganese, saffron, etc., and it would be unfair to distribute the customs revenue derived by levying duty on such special produce among those States which do not produce them. A dividing line is possible. The revenue drawn from such articles of export which are common to all, for instance, wheat, grain, cotton, ghi, oil, etc., may be distributed on the basis of population.

(b) As the incidence of import duty falls on the consumer the raising of the customs dues necessarily affects (adversely) the State and its people. The matter is self evident and hardly requires facts and figures which it would take time to collect.

(c) As at present situated the States and the Imperial Government both levy import and export duties. If it is intended to give the States their share of the profits at present drawn by the Imperial Revenue, the question of abolition by the States of their own import and export duties does not arise presently. The question of abolition can best be decided when the States exactly know the amount of the profits they would receive from the Imperial Customs revenue. If the States are not losers by the transaction it would be time to make the lot of their people easier by abolition of the internal customs duties.

(d) The exemption is claimable on the grounds of prestige, custom and usage. If the States are allowed a share in the Imperial Customs revenue, they (States) will be well advised to waive this claim till such time as the future experience of state of things may afford them justification to revive the question. Apparently it seems that the amount of tax covering such exemptions would be very great and the State's share of the profits to be received from the Imperial Customs Department would proportionately decrease in case the exemptions remained in force. Moreover the exemptions would affect other States in whose cases exemptions would not be granted as their share of the profits would be reduced.

Such exemptions cause a lot of trouble to the Customs Department and afford room, in spite of vigilance, for abusing the privilege. It is hoped that the States will be allowed to share the Imperial Customs revenue but if for some reason or other the scheme is put in abeyance the practice of granting exemption on articles imported for the personal use of the Chiefs or their families may be maintained and the system placed on a sounder basis for the purpose of securing general satisfaction and the lot of such States who had not been fortunate to obtain the exemption improved. The present generous policy of the benign British Government is to level up in all matters productive of good to the Indian States.

DUJANA.

(a) The States claim a share of the Imperial customs revenue on the ground that the burden of this duty falls equally on all the people of India, while only the British Indian subjects derive benefit from it, in the shape of better administration and more works of public utility. If the Indian States, with their limited resources, have a share in this income, their subjects with the increase in the revenue of the State may also derive more benefits.

(b) Figures are not available, but increase in taxation must necessarily mean increase in expenditure.

(c) The Dujana State levies no import or export duty at present. In the past it used to levy the following duties:—

1. Transit duty at different rates on nearly all sorts of goods crossing its frontiers from outside was formerly levied, but it was abolished in 1904 and an import duty like octroi duty at 3 pies per rupee was imposed in certain villages instead of it, which is still realised through contractors. Contract is given by auction.
2. Raw saltpetre used to be manufactured in Dujana proper till 1926, an export duty at 3 pies per rupee on purchase money was imposed on it. But owing to want of demand this industry has ceased to exist since then, and there is no income to the State from this source at present. If the State is allowed a share from Imperial customs revenue, it would, if required to do so, give up imposing export duty on saltpetre when the industry revives again.

SECTION II

RAILWAY JURISDICTION

FOR OFFICIAL USE

RAILWAY JURISDICTION

Summary of Replies Received

To Paragraph 6 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

Extract from the questionnaire issued by the Indian States Committee.

RAILWAY JURISDICTION.

6. Have the States anything to add to the summary regarding jurisdiction over lands occupied by railways in their territories, as amended by the Standing Committee of the Chamber of Princes on the 20th of August, 1924? (See Annexure A.)

ANNEXURE A.

Summary as Amended by the Standing Committee of the Chamber of Princes on the 20th August, 1924.

1. In 1891 the principle was laid down that, as soon as a Darbar railway became part of a line of communication between State territory on the one hand and British or State territory on the other, a cession of jurisdiction should be required. Subsequent developments have, however, considerably modified the view then taken. It was, for instance, decided in 1893 that the orders should not be so interpreted as to require cession of jurisdiction over a line lying wholly within State limits but connected at one end with the British railway system. Again, in 1898, a Darbar was permitted to retain jurisdiction over a portion of State railway in spite of the fact that a portion of the line traversed another State. Three years later the orders were relaxed in another case, in which a Darbar was permitted to retain jurisdiction although the railway penetrated into British territory. In 1902 a further step in the same direction was taken, a Darbar being permitted to retain jurisdiction over a proposed railway even though it might subsequently form part of a line connected at both ends with the British system. The principle of the original orders has also been relaxed in several cases where lines pass through more than one State by permitting Darbars to retain jurisdiction over the portions of the lines within their respective limits.

2. In the case of railway lines over which full civil and criminal jurisdiction has been ceded, the policy of the Government of India has been to apply to those lands only such laws as are necessary for the administration of civil and criminal justice, together with the Railway, Post Office and Telegraph Acts. There are cases in which it has been found convenient to apply to such lands the laws of an adjoining British district *en bloc*, but all such laws are not enforced in those lands and fiscal laws particularly are not enforced, as it is not the policy of the Government of India to raise revenue from lands which are ceded for railway purposes. An Act such as the Excise Act is, however, applied to such lands when it is required to control the consumption of, and traffic in, liquor on railway stations, or to protect the excise revenue of British India. A law such as an Intoxicating Drugs Law may also be enacted for such lands when experience has shown that it is necessary to prevent smuggling through the railways, as much in the interests of the States themselves as of Government. Such a measure, though fiscal, is not revenue-producing, and the Government of India make no profit out of it.

3. The following are the conditions on which the Government of India are prepared to consent to the permanent retention of jurisdiction by States over the railways in their territories other than those which form part of an important through route operated by the Government of India or by a Company in the profits of which the Government of India shares:—

- (i) that the State or a Company or individual or association of individuals authorised by the State is either the owner of the railway or at least has a substantial interest in it and works it;
- (ii) that the State possesses proper machinery for the administration of justice;
- (iii) that adequate control over the working and maintenance of the line is retained either by the application of an enactment and rules similar to the Indian Railways Act and the rules made thereunder, or otherwise
- (iv) that the State will grant permission for such inspections of the line by Government railway officials as may be considered necessary.

4. In case of grave public emergency or in the strategic and military interests of the Empire it is necessary to have unity of control, and the Imperial Government feel confident that they may rely on the Indian States to co-operate with them as may be necessary on such occasions.

5. In the case of serious failure to comply with conditions (ii), (iii) and (iv) in paragraph 3 above, the British Government may take such steps as are necessary to effect a remedy provided that where, in pursuance of this clause, it becomes ultimately necessary to take over jurisdiction such jurisdiction shall be restored to the State concerned on its giving adequate assurances to the Government of India for the proper observance of the conditions in future.

HYDERABAD.

His Exalted Highness' Government must in the first place point out that its position has always been one of entire detachment from the Chamber of Princes and therefore Annexure "A" and especially the conditions laid down in its para. 3 are taken only as indicating the position to which the Government of India had definitely committed themselves by August, 1924, with regard to the permanent retention of criminal and police jurisdiction by Indian States over railways in their territory.

2. The demand of the Government of India for cession of jurisdiction has been in the past a serious obstacle to the expansion of railways in Hyderabad. This demand was explicitly made by the Government of India as an indispensable preliminary condition to the construction by the Nizam's Government of the Hyderabad-Godaveri Valley Railway and the Barsi-Light Railway, which were so necessary to open up the rich cotton tracts of His Exalted Highness' Dominions. It was then pointed out* by the Hyderabad Government how such a demand would "curtail its desire to construct new railways within the State." In actual fact this was one of the main causes why no railway was thereafter constructed in the Dominions practically for about a quarter of a century with the exception of the small section comprising the Purna-Hingoli Branch, and that too was constructed merely to avoid its threatened construction by the Government of India, in case the Nizam's Government did not build it.

3. It was only comparatively recently that a more vigorous railway programme was initiated and even then the Nizam's Government tried to avoid any connection with a railway outside the State so as to keep within the definition of "feeder lines," the claim to jurisdiction over which had been waived by the Government of India.† Thus such important links, as the Secunderabad-Kurnool line in the chain of the Metre Gauge system and the Kazipett-Bellarshah line in that of the broad gauge system of the whole of India, would have remained in the air on account of these claims for cession of jurisdiction but for the fact that a more generous policy in this regard by the Government of India had by this time come into sight, and the Nizam's Government had begun to feel, not without very substantial grounds, that with a railway system of over 1,100 miles within its Dominions sufficient for the full circle of charge of a Deputy Inspector-General of Police in British India, it would be allowed to exercise jurisdiction over its railway lands.

4. Coming now to the specific commitments in para. 3 of the Annexure, it may be stated that the Nizam's Government has at present passing through its territory the following lines:—

- 1.—(a) Broad gauge section of the G.I.P. from Kulali to Raichur, and
- (b) the section of the M. & S.M. from Raichur to the Tungabhadra, being parts of the through routes from Bombay to Madras.‡

* Residency No. 892 of 19th May, 1896, and No. 23-C, of 23rd October, 1896. His Highness' Government letter No. 1333 of the 6th September, 1899.

† Residency No. 524 of the 9th March, 1900.

‡ The Nizam's Government has no right or interest whatever in these sections although land for them has been given free by it.

2. Broad gauge section from Wadi to Secunderabad and Bezwada.*
3. The Hyderabad-Godavari Valley Railway, metre gauge, from Manmad to Secunderabad.*
4. Secunderabad-Kurnool line, metre gauge.†
5. Kazipett-Bellarshah broad gauge line.†
6. Hingoli-Purna metre gauge line.†
7. Karepalli-Kothagudiam mineral line.†
8. Under construction:
Purbhani-Parli line,
Shankarpalli-Bidar
and other feeder lines.‡

5. His Exalted Highness' Government is gratified to find that para. 3 of the Annexure will presumably give it permanent jurisdiction over all the above lines except No. 1 as they fulfil all the conditions laid down in that paragraph for the exercise of such jurisdiction, viz. :—

- (a) Either the State is the owner of the lines or a company authorised by the State owns them and works them and the State has a substantial interest in them.
- (b) The State possesses proper machinery for the speedy administration of justice; in fact the separation of judicial from executive and treasury functions in Hyderabad avoids the delay in the trial of cases consequent on magistrates being touring revenue or hard-worked Treasury officers.
- (c) Adequate control over the working and maintenance of the line secured by an enactment identical with the Indian Railway Act.
- (d) As to inspections of the lines, the Nizam's Government will readily undertake to arrange for an annual inspection by an independent expert to be selected by it in consultation with the Railway Board whose report will be forwarded to the Government of India.

6. His Exalted Highness the Nizam's Government, however, would urge its being allowed to exercise jurisdiction also over the one solitary exception, numbered (1) in the list in para. 4 above, which does not satisfy one of the conditions laid down in para. 3 of the Annexure, as the Nizam's Government does not "own any interest" in these two sections and they "form part of an important route operated upon by the Government of India or by companies in the profits of which that Government shares."

7. The Nizam's Government, however, ventures to suggest that the question as to who has financed a railway should not in any way determine the question as to who should exercise jurisdiction over it. It has obviously not been so in the case of railways in British India for whilst private joint stock companies have owned the railways,

* Owned and run by the Nizam's Guaranteed State Railway Company, the Nizam's Government being financially interested to the extent of over 40 per cent. in the concern and having the right to purchase it in 1934.

† Owned by the Nizam's Government and worked by the N.G.S. Railway Company.

‡ To be owned by the Nizam's Government and worked by the N.G.S. Railway Company.

the jurisdiction over them has been exercised by the British Indian Government. If the ownership of a line is the only consideration debarring the Nizam's Government from exercising jurisdiction over it, a reference is invited to the correspondence noted in the margin* in which an offer was made to the Government of India to purchase these portions which lay within its territories and for which it had given land free of all charges, and yet in the surplus profits of which it had no share with the British Indian Government. The Government of India, however, were not then able to accede to its wishes, but it is now hoped that this decision will be reconsidered in the light of the generous attitude towards the treaty rights and privileges of Indian States as declared by His Excellency the Viceroy which has given rise to the constitution of the present Committee.

The transfer of these portions to the Nizam's Railway system could be effected with advantage to their working without any disturbance to the G. I. P. or the M. & S. M. as they form only the extreme ends of these lines.

ANNEXURES TO QUESTION VI.

Hyderabad-Residency,

19th May, 1896.

No. 892.

My dear Nawab,

The Resident submitted to the Government of India your letter No. 271 of the 10th March on the subject of the terms and conditions on which the construction, equipment, maintenance and working of the Hyderabad-Godavery Valley Railway should be assigned to the Nizam's Guaranteed State Railways Company, and I am now directed to communicate to you the orders which the Government of India have been pleased to pass in the matter.

2. First I am to say that His Highness the Nizam's Government are aware that a complete cession of jurisdiction over the lands in Hyderabad territory to be occupied by the proposed line is an essential condition to the scheme, and that therefore it will rest solely with the Government of India to apply Acts of the Legislature to that area. It follows that the Government of India cannot depute to His Highness' Government their responsibility for the safety of the public travelling on the line, accordingly the words "if the Government shall think fit" should be omitted from Article 19 of the draft agreement, and it must be understood that the definition of "Inspecting Officer" in Article 1, as between the contracting parties, cannot interfere with the right which the Government of India will exercise under the Indian Railway Act to appoint a qualified Government Inspector with due responsibility themselves.

* H.E.H.'s Government No. 2354 of the 11th October, 1925, and Residency No. 801-C/F. 213-25 of 29th June, 1926.

3. The Government of India consider that from a financial point of view the draft agreement inclosed in your letter under reply is as a whole favourable to His Highness' Government and it is generally approved. But it requires emendation as regards the last part of Article 41, the object of which is not clearly understood. On the one hand, it may be intended that the bonus of £25 per cent. therein specified shall be paid to the debenture-holders; on the other hand, seeing that the terms of the debentures remain to be settled under Article 20, and that the position of the debenture-holders will not be affected by the transfer of the line to His Highness' Government, it may be that the Company is to receive the bonus; in a third contingency, e.g., if the debentures are issued redeemable at par previous to the year 1914, the clause may be inoperative. The Government of India consider that this clause providing for the grant of a bonus of £25 per cent. on the unredeemed debentures is unsound; it is not included in the terms proposed in the letter of the Chairman of the Company, dated 21st June, 1894, or in those offered by the Imperial Ottoman Bank in the Agent's letter of 1st June, 1895. I am to request, therefore, that in accordance with the opinion of the Government of India the words in Article 41 "together with a bonus of £25 per cent. upon the amount unredeemed" may be struck out.

4. Provided that His Highness' Government and the Nizam's Guaranteed State Railway Company are in agreement on the matter there is no objection on the part of the Government of India to the alteration in Article 22 of the agreement proposed in your telegram to the Resident of the 11th May, namely, that for the figures "£2,000,000" in that article should be substituted words and figures to the following effect:—

"£2,500,000 if metre gauge be decided upon by the Government and £3,000,000 if broad or standard gauge."

5. Subject to the modification specified in paragraphs 2 and 3 of this letter and to their approval of the plans and estimates of the line, and subject also to the condition already referred to that full jurisdiction over the lands in Hyderabad territory occupied by the line is ceded to the British Government, the Government of India are prepared to sanction the present scheme, on the distinct understanding (1) that, as originally proposed, the agreement will at once be provisionally signed in India, and (2) that His Highness the Nizam's Government will thereafter leave it to the Railway Company to issue the debentures and complete the necessary financial arrangements. Great importance is attached to the latter conditions. They will enable the Company to benefit by the present favourable condition of the money market and will prevent further loss such as has been caused by the rise in the price of materials during the course of these needlessly protracted negotiations. There is also serious objection to direct dealings as apart from the Company, between financial houses and His Highness' Government, and none of the suggestions which have been made for such direct negotiation can be sanctioned by the Government of India. I am to point out that the cession of full jurisdiction has been prescribed by the Government of India as an indispensable preliminary condition to their assent to the present scheme and that the decision at

which the Government of India have arrived on this point and on the two other matters separately specified in this paragraph must be regarded as absolutely final.

6. There remains only the question of the disposal of the land to be occupied by the railway situate in British territory. As to this, I am to say that all the land required for the line in British territory will be granted to His Highness' Government in full possession free of charge, the Government of India retaining, however, their proprietary right over it, together with full jurisdiction. The occupancy of such land will be transferred by His Highness' Government to the Company along with the line which they are to construct and work, on the terms embodied in the agreement now sanctioned; the Government of India on their part will extend to the Company a freedom from all charges on account of that land while the railway remains the property of His Highness' Government. The position will be the same when the line reverts to the possession of His Highness' Government, and until it is either sold by the Hyderabad State or falls into disuse. In the former case the Government of India will make their own terms with the purchasers for the occupation of the land; in the latter contingency the land will be resumed. The above conditions will apply also to the portion of the line between Ankai and Manmad, but while assuring His Highness' Government that suitable facilities will be given for the junction of their line with the Great Indian Peninsular Railway at the latter station, the Government of India will reserve their decision as to the precise alignment of this section pending the receipt of the final plans and estimates.

Yours sincerely,

A. WILLIAMS.

The Nawab

Sir Vikar-ul-Umra Bahadur, K.C.I.E.,

Hyderabad.

Confidential.

No. 23—C.

23rd October, 1896.

My dear Nawab,

As there appears to be some misunderstanding in regard to the extent of the concession described in paragraph 2 of my No. 1588 of the 16th September, I referred your confidential letter No. 1086 of 1st October to my address to the Government of India for further instructions.

2. I am now directed to explain for the information of His Highness' Government that the concession in question in no way applies to the lands of the existing railways in Hyderabad, over which His Highness the Nizam has already ceded full civil and criminal jurisdiction without any qualification. On such lands the Government of India cannot, without much further consideration, consent to limit in any way the meaning of a cession of full civil and criminal jurisdiction, as such cession has been hitherto understood. The point whether the

warrant of a British Indian Court can be legally executed on a railway line over which such jurisdiction has been ceded, against the subject of the State ceding the jurisdiction, is at present under the judication of the Privy Council in connection with Syed Muhammad Yusuf-ud-din's appeal. The consideration of the general question of the legality, and perhaps also the expediency, of the execution of such processes against State subjects must necessarily be deferred until the decision of the Privy Council is known, when the views, advanced by His Highness the Nizam's Government will receive careful attention. Meanwhile the question cannot even be discussed.

3. On the other hand, the connection with the proposed Hyderabad-Godavery Valley Railway, the matter to which both the Government of India and the Nizam's Government attach special importance at the present time is the speedy execution of the agreement with the Nizam's Guaranteed State Railways Company for the construction of the new line. The Government of India, as you have been already informed, cannot permit the execution of that agreement until "full civil and criminal jurisdiction" as before has been ceded over the railway lands. But pending the decision in Yusuf-ud-din's case, and pending the discussion, which will follow, of the general question referred to in the preceding paragraph the Government of India in deference to the views of His Highness the Nizam's Government, are willing as a special case to agree that the warrants of British Indian Courts shall not in the meantime be executed against the subjects of the Nizam on the lands to be occupied by the new railway. This is all which the concession described in paragraph 2 of my letter of 16th September was intended to concede.

4. I am also to say that if His Highness' Government will now agree to cede full civil and criminal jurisdiction over the new railway, subject to this understanding, then the draft agreement with the Railway Company, as approved by the Government of India, may be executed, and work on the new line may proceed. The Government of India will also undertake to give full consideration to the views of the Nizam's Government when they are in a position to take up and pass orders on the general question above alluded to. If on the other hand the Hyderabad Government are not prepared to cede full civil and criminal jurisdiction over the new line, with or without the above-mentioned understanding, then the negotiations with the Railway Company for the construction of the new line must be indefinitely postponed, as the Government of India cannot consent to the execution of the agreement unless such jurisdiction is first ceded.

Yours very sincerely,

T. CHICHELE-PLOWDEN.

The Nawab

Sir Vikar-ul-Umra Bahadur, K.C.I.E.,

Hyderabad.

6th September, 1899.

No. 1333.

My dear Sir Trevor Chichele-Plowden,

I have now the pleasure to reply to your letter No. 745 of the 5th April, enclosing copy of a declaration regarding the cession by His Highness the Nizam of exclusive jurisdiction over the railway lands. The matter has been the subject of frequent and anxious consideration by His Highness' Government, who have been taken somewhat by surprise at the suddenness of this request. A short summary of the history of this question will explain the reason of our surprise, and you will allow me to add, of our disappointment.

2. Whilst the case of Yusuf-ud-deen was pending before the Privy Council, the matter of the Godavery Valley Railway extension was being considered by the two Governments, and this same question of jurisdiction was raised. On the 23rd October, 1896, you wrote a letter to His Highness' Government in which you said that whilst refusing to discuss the real meaning of the words "full jurisdiction" (used in the Notification of 1884) in respect to existing railways, the Government of India pending the decision in Yusuf-ud-deen's case *and pending the discussion* which will follow, of the general question . . . in deference to the views of His Highness the Nizam's Government, are willing as a special case to agree that the warrants of British Indian Courts shall not in the meantime be executed against the subjects of the Nizam on the lands to be occupied by the new railway" . . . You went on to say that "if His Highness' Government will now agree to cede full civil and criminal jurisdiction over the new railway, subject to this understanding, then the draft agreement with the Railway Company may be executed. The Government of India *will also undertake to give full consideration to the views of the Nizam's Government* when they are in a position to take up and pass orders on the general question above alluded to."

3. This proposal was agreed to (letter dated 17th November, 1896), but an express stipulation was made that "after the disposal of Yusuf-ud-deen's case, His Highness' Government will have a full opportunity to make a representation about their rights on the question of jurisdiction, and that a full consideration will be given by the Government of India to our representations and views about them." This condition was reiterated in the following year when the construction of the Barsi Light Railway was under discussion, and the cession of full civil and criminal jurisdiction over that portion of the line which runs through Hyderabad Territory was made (letter No. 513 dated 4th April, 1897) "subject to the concession referred to in that letter (No. 1940 of 3rd November, 1896) and agreed upon in regard to the Hyderabad-Godavery Valley Railway also, viz., that the processes of British Indian Courts shall not be executed against His Highness' subjects on the land to be occupied by the railway, and that when, after the decision by the Privy Council of Syed Mohamed Yusuf-ud-deen's appeal, the general question of the legality and the expediency of the execution of such process against the State's subjects is taken into consideration by the Government of India, full consideration will be given to the views of His Highness' Government in this matter."

4. The decision of the Privy Council was passed on the 7th July, 1897, and was to the effect that the arrest of Yusuf-un-deen for an offence alleged to have been committed outside railway lands was illegal, and in the words of Lord Watson, "Full jurisdiction not coupled with the word exclusive does not mean much. It means jurisdiction *ad hoc*, nothing more. I can understand "full jurisdiction in cases up to £20." That is full jurisdiction in one sense of the word."

5. No further correspondence on this question took place between the two Governments, nor was this Government at any time asked for their views "in the general question of the legality and the expediency of such processes" as promised on 3rd November, 1896, but on the 5th April, 1899, you were pleased to address to me the letter now under reply in which you informed me that "the Government of India did not ask for any cession of sovereignty over what are commonly known as railway lands, but they do require a cession of jurisdiction such as will enable them to exercise during its currency, and in respect of the lands dealt with, all powers and jurisdiction whether administrative, legislative or judicial."

The letter further continues: "The object in view however differs in no respect from that which has been arrived at in the past when cessions of 'full jurisdiction' have been obtained, but it has become necessary owing to the nature of the decision in the Yusuf-ud-deen case to set out cessions of jurisdiction in a single clearly expressed and self-contained document which shall show precisely what the jurisdiction is which has been ceded." In this letter a form of declaration was enclosed which runs as follows:—"I hereby cede to the British Government full and exclusive power and jurisdiction of every kind over the lands in the said State which are or may hereafter be occupied by the

Railway (including all lands occupied for stations, for out-buildings and for other railway purposes) and over all persons and things whatsoever within the said lands."

6. This declaration not only assumes the whole question of jurisdiction over His Highness the Nizam's subjects, regarding which His Highness entertains very strong views indeed, which views it was understood would receive "full consideration" before a settlement was arrived at; but it also introduces a new element, not hitherto alluded to, viz., the "exclusive administrative" power over all railway lands. His Highness' Government are not quite sure what is intended by this, and whether, when it is ceded, His Highness' Government will be debarred from exercising the revenue laws and regulations, as for instance, in respect to customs and stamps, which are at present in force, and which if the British administrative jurisdiction is to be *exclusive* would no longer extend to the railway lands.

7. The new and unexpected phase which the question thus assumed rendered several references to my honourable colleagues and to His Highness the Nizam necessary, and I am only now in a position to communicate the views of His Highness' Government.

8. I understand that the new cession which the Government of India ask for forms a portion of the Imperial Policy which it is necessary should be uniform throughout India. His Highness Government are

fully alive to the fact that the Government of India are the best judges of any general policy which may be necessary for the proper administration of the Empire, and have therefore always been ready in the past, and will be in the future, to yield even at personal sacrifice any point which may interfere in the carrying out of such policy. That is also the case in this instance. His Highness regards his jurisdiction over his own subjects—as limited by the Extradition Act—as a sovereign privilege, which indeed the Privy Council has declared it to be, and as such prizes it very highly. But in deference to the wishes of the British Government, His Highness is willing to yield this jurisdiction as at present asked for with one reservation however, and that is the new jurisdiction asked for by the British Government should not be exercised over his own officials and servants except as provided for in the Extradition Treaty and except of course as regards offences committed on the line of rail. You will, I feel sure, see the justice of this reservation, when I explain the reason of it. In the case of Yusuf-ud-deen, when he was arrested, he was the principal revenue officer of a district, the whole machinery of which was thrown out of working gear by his arrest. Had His Highness' Government been informed beforehand, they would have been able to make the necessary arrangements. It is unlikely that the new law will have to be put in force against officials except in very rare cases, and His Highness is therefore of opinion that this reservation in favour of his own personal and Governmental officials, on which he lays particular stress will not, to any appreciable extent, interfere with the general policy to be adopted. Secondly, His Highness wishes that the rights of his Government to carry out revenue laws and regulations as at present exercised, should not be interfered with. This he considers of very great importance for the working of the Customs Department specially. And lastly, he wishes it to be clearly understood that this cession of jurisdiction in no way extends to Light Feeder lines which may hereafter be constructed within the limits of his Dominions.

9. If therefore you will agree to these reservations, and amend the form of declaration accordingly, His Highness will sign it.

Yours very sincerely,

VIKAR-UL-UMRA.

The Hyderabad—Residency.

9th March, 1900.

No. 524.

My Dear Nawab,

I am desired to reply to your letter No. 1333, dated the 6th September, 1899, regarding the nature and extent of the powers which the Government of India desire to obtain and exercise on railways in Hyderabad territory.

2. The Government of India regret that you should be under the impression that sufficient opportunity has not been offered to His Highness' Government to represent their views on the subject of

British jurisdiction on Railways in Hyderabad. Your letter under reply has had thorough consideration and the Government of India are sensible of the statesmanlike view which it has put forward. I am now to forward a draft which has been prepared of a form of cession which, as it follows in all essential particulars the lines suggested by you, will, it is hoped by the Government of India, be acceptable to His Highness' Government.

3. I am to explain that it is unnecessary and would be out of place to make any reference in the first reservation (which refers to the exemption of His Highness' officials and private servants from the operation of the jurisdiction to be ceded) to the provisions of the Extradition Act. If, by reason of the special reservations which it is now proposed to attach to the form of cession, the British Government are debarred from exercising jurisdiction in any particular case, it follows as a matter of course that they can then act on a railway line only in the same way and in the exercise of the same powers as elsewhere in the territories under the administration of the Government of His Highness.

4. Again, it would be equally out of place to say anything in the form of cession about the reservation suggested by you in regard to feeder lines. In the case of isolated local lines of light gauge, which do not form a part of any line of communication passing beyond the limits of the State, the Government of India have always allowed jurisdiction to remain with the Native State concerned, and there is no intention of departing from this policy. I am to explain further that the fact of a feeder line running into a station of a through line does not render the acquisition of jurisdiction necessary when the feeder line is not of the same gauge as the through line and does not form a junction with it. For when the feeder line is of a different gauge, goods have to be unloaded for transference to the other line in the same manner as if they had been conveyed by carts. The circumstances, in which the necessity of bringing a local line under British jurisdiction has to be considered are, when the local line (1) is actually joined to a railway over which the British Government exercise jurisdiction, (2) runs through or into British territory or the territory of any other Native State as well as that of the State in which it originates. His Excellency the Viceroy and Governor-General is, I am to add, particularly desirous that the question of jurisdiction should not be held to be in any way an obstacle to the extension of the railway system in Hyderabad, which it will always be his object to encourage.

5. The only other points, in the draft form of cession to which attention need be paid are, I am to say, (1) the definitions given of the officials of His Highness' Government and of the private servants of His Highness—these have been added with a view to prevent the confusion which might arise from the claims of unauthorized persons to be acting in those capacities—and (2) the reservation made in regard to the realization by officials of His Highness' Government of the Excise and Customs revenues on the railway lines over which jurisdiction is to be ceded—the object of this proviso is to maintain the current usage in regard to fiscal matters.

The Government of India hope that the form of cession as now modified will be readily accepted by His Highness' Government and that the vexed question of the exercise of British jurisdiction over railways in Hyderabad may now be finally laid to rest.

6. The Resident will be glad to be favoured with an early reply.

Yours sincerely,

E. W. BLAKESLEY.

The Nawab,

Sir Vikar-ul-umra Bahadur, K.C.I.E.,

Hyderabad.

Copy of letter No. 2354 of 11th October, 1925, from His Exalted Highness' Government to the Residency.

His Exalted Highness' Government have for some time felt the desirability of owning the section of the railway which runs through their Dominions, from Kulali, a station near Sholapur the frontier to Tungabhadra near Guntakal via Wadi, a distance of about 130 miles, and of working the same as part of the N.G.S. Railway Broad Gauge System. Now that the G.I.P. Railway has been taken over by the Government of India, they consider this a suitable time for requesting a consideration of the question. His Exalted Highness' Government would suggest that the portion of the railway which lies in His Exalted Highness' territory be made over to them on payment of the capital cost and be allowed to be worked by His Exalted Highness the Nizam's G.S. Railway. The proposition is quite in keeping with the suggestion urged by His Excellency the Governor-General of India in a Minute dated 31st October, 1867, when the question of constructing a railway to Hyderabad was under consideration.

2. It will be remembered that when land was required for the Bombay-Madras Junction of the Railway passing through His Exalted Highness' territory, it was given free of cost, much in the same way as the Government of India were granting lands in their territory for railway purposes.

3. In pursuance of the wishes of the Government of India the following privileges appear to have been granted by His Exalted Highness' Government in 1863:—

- (i) Land in free gift for railway purposes, both such as to be occupied by railway works and buildings and such as will be needed for construction and maintenance.
- (ii) Lease to cut timber in any forests for sleepers at prices to be fixed by the Resident.
- (iii) Exemption from all transit and customs duty on all materials and stores required for the construction and working of the railway.
- (iv) Abolition of all transit duties on all railway borne goods, etc.

It may be added here that when the Bombay Government offered to survey the land held by the G.I.P. Railway with a view to the amount of land assessed being paid to His Exalted Highness' Government, the latter declined the offer, stating that they had not in the

very beginning intended to realise the value of the land from the railway and did not even then desire it. His Exalted Highness' Government feel sure that it was never the intention of the Government of India to retain in perpetuity the land granted free for railway purposes some 60 years ago under the conditions then existing.

4. It may be mentioned that in the early sixties His Highness' Government did not own any railways nor was it then contemplated to construct any in the near future; but that position has considerably changed as no less than 990 miles of railway have since been constructed and are now being worked by His Exalted Highness the Nizam's Guaranteed State Railway Company and 115 miles will, it is hoped, shortly be completed, making in all more than 1,100 miles of railway worked by His Exalted Highness the Nizam's Guaranteed State Railway.

5. His Exalted Highness' Government have reasons to believe that the present sections of the line between Bombay and Madras are inconvenient from the point of view of railway working and that it would be a convenience to the railway as a whole if the section from Sholapur to Guntakal is made over to the N.G.S. Railway.

6. There should be the less hesitation in making over this transfer of working now that the responsibility for guarding the line is proposed to be transferred to His Exalted Highness the Nizam's Government.

7. In view of the representations set forth above, I am desired to express the hope that the Honourable the Resident will move the Government of India to agree to the transfer to His Exalted Highness' Government of the section of the railway passing through their territories in payment of the capital cost of the line.

*Copy of letter No. 801-0 of 29th June, 1926, from the Residency to His
F. 219-25*

Exalted Highness' Government.

Please refer to the correspondence ending with your letter No. 50 dated the 5th January, 1926, regarding the desire of His Exalted Highness the Nizam's Government to purchase that portion of the Sholapur-Guntakal section of the Great Indian Peninsula and the Madras and Southern Mahratta Railway lines which lies within His Exalted Highness' territory. The Government of India observe that His Exalted Highness the Nizam's Government base their claims to the purchase of the line on the grounds, among others—

- (i) that the land for railway purposes was originally given free of cost;
- (ii) that it would be convenient from the point of view of railway working if the section were worked by His Exalted Highness the Nizam's Guaranteed State Railway Company; and
- (iii) that the responsibility for guarding the line is proposed to be transferred to His Exalted Highness the Nizam's Government.

2. The Government of India, who have given careful consideration to the representation of His Exalted Highness the Nizam's Government, feel that the fact of the land having been given free of charge does not constitute any valid ground in support of His Exalted Highness the Nizam's Government's proposal for permission to purchase the line in question on specially favourable terms or for the revocation of the grant. As a set off against the other concessions referred to in your letter No. 2354 dated the 11th October, 1925, it is to be noted that the construction of the railway has been of immense benefit to the State by stimulating its economic development.

3. As opposed to the belief of His Exalted Highness the Nizam's Government that it would be a convenience to the railway as a whole if the section from Sholapur to Guntakal were made over to them, the Government of India consider that the introduction of a third railway administration would lead to complications in working

4. The Government of India regret that they are unable to agree that the fact that His Exalted Highness' Government have been invited to allocate troops for the guarding, in times of emergency, of important railway lines traversing Hyderabad territory, and have already been good enough to respond to that invitation in respect of the Secunderabad-Wadi-Poona and the Wadi-Raichur-Tungabhadra lines, has any direct bearing on the question now under consideration. Those facts relate to military and not to railway policy, and the Government of India feel sure that His Exalted Highness' Government will agree with them that such an invitation is nothing more than the natural outcome of the system under which the regiments in question are maintained, the intention being to allot to that portion of His Exalted Highness' Forces which is maintained for co-operation with the Imperial Government, certain essential security duties within His Exalted Highness' Dominions. The Government of India do not recognise that any liabilities in regard to the ownership and management of the working of the railways in question can be created by acceptance of the invitation.

5. In this connection, the Government of India have also considered the alternative of allowing His Exalted Highness the Nizam's Government to own the section in question and of leaving its working with the Great Indian Peninsula and the Madras and Southern Mahratta Railway administrations as at present, but have been compelled to reject it since the alienation of a portion of a through route belonging to the Government of India to a separate body is bound to lead to friction and possible discord in matters affecting the raising of fresh capital, the routing of traffic, the opening of new lines, and generally all questions involving financial consideration.

6. In all the circumstances of the case, the Government of India much regret that they are unable to accede to the wishes of His Exalted Highness the Nizam's Government in this matter.

BARODA.

The State considers that having regard to the spirit of the treaties with it, jurisdiction of all kinds—civil, criminal and fiscal—on all railways in the State or passing through it, should vest in it. There is no reason for refusing jurisdiction over the portions of the main lines worked by the B. B. & C. I. Railway in the State. The present arrangement of divided jurisdiction causes serious inconvenience. It may be added that jurisdiction for fiscal purposes on such lands has not yet been recognised, though it has been laid down that “it is not the policy of the Government of India to raise revenue from lands which are ceded for railway purposes.”

MYSORE.

The State are glad that the view taken in 1891 of the necessity for cession of jurisdiction has now been modified, but they are not satisfied that there is any good reason for refusing to allow the State to resume jurisdiction in the case of through routes operated by companies. There is no reason to think that any interests would suffer through such resumption. On the other hand, inconvenience undoubtedly occurs under present arrangements. At the same time, the Government of India have not adhered to the declaration of policy which is embodied in the summary of 1924 as regards the raising of revenue from lands which are ceded for railway purposes, vide Appendix C.

APPENDIX C.

Letter No. 10523-148-1925, dated 17th October, 1927, from the Secretary to the Resident in Mysore to the Law Secretary to the Mysore Government.

SUBJECT:—LEVY OF INCOME TAX ON THE PROFITS OF THE BROAD GAUGE LINE OF THE MADRAS AND SOUTHERN MAHRATTA RAILWAY WITHIN MYSORE TERRITORY.

I am directed to refer to your letter No. Pol. 555-I.T. 13-25-7, dated the 21st December, 1926, and to convey the views of the Government of India on the subject.

2. The Government of Mysore have ceded full jurisdiction over the railway lands in question. They retain no fiscal rights in regard to the lands concerned. The conditions, the Government of India add, are precisely the same in the numerous other cases where British lines pass through State territory, and the Government of India have no doubt that the recovery of Mysore income tax from these lands is entirely illegal. They have, it is true, made certain concessions to the Government of Mysore in the matter of sandalwood and liquor licences, as pointed out in your letter; but these concessions, it is explained, have been granted, not as a matter of right, but as a matter of grace.

3. The Government of India have acquired full jurisdiction over the lands in question and it is, the Government of India state, for them to decide on the extent to which legislation should be applied thereto. The argument contained in paragraph 4 of your letter to the effect that, because a certain "suggestion" (that the powers exercised by the Government of India over railway lands may be reduced to the minimum necessary for railway purposes) has been made, that suggestion constitutes a "policy which it is proposed to pursue" can, the Government of India remark, hardly be accepted, especially as the recovery of Mysore income tax relates to a period prior to the issue of the letter containing the suggestion concerned.

4. The Government of India point out, moreover, that, apart from the question of jurisdiction over the territory concerned, the profits of the Railway Company, since they are received in British India, are taxable under the Indian Income Tax Act (XI of 1922).

5. In the circumstances explained, the Government of India desire that, as already requested, arrangements may be made for the adjustment of the sum of Rs. 24,693 (rupees twenty-four thousand six hundred and ninety-three only).

INDORE.

The summary of August, 1924, referred to, is no doubt a considerable advance over the existing position regarding jurisdiction. But what the State would urge is, that as its judiciary is well trained and as the laws in force in the State are virtually British Indian laws, the State might be trusted to exercise civil and criminal jurisdiction over all railway lands in the State territory. In order that there may be complete control over crime, trains running or otherwise may be constituted British territory, subject to British jurisdiction. Further, for the proper detection and investigation of crime there may be established an inter-statal Police or Joint Police for Railway, subject to the control of British Officers, necessary powers required for the exercise of adequate control being delegated to them by the States concerned.

As regards fiscal or revenue matters, it may be pointed out that under the terms of 1864* for the grant of lands for railway, the State has parted only with civil and criminal jurisdiction, but has retained to itself sovereignty and ownership over railway lands, except those covered by the Nagda Muttra Railway, over which full and exclusive jurisdiction has been ceded. Consequently it is the State alone which is competent to introduce fiscal or revenue laws over railway lands other than those covered by the Nagda Muttra Railway.

KOLHAPUR.

A reference to the policy of the Government in respect of the construction of the railways by the States within their own territory must be made here. The general policy of the Government in this

* Page 206, Aitchison's Treaties, Central India, Edition 1909.

matter is stated to be "in every way to encourage useful railway construction by Darbars" on condition that Government's sanction is obtained for the same. That sanction would depend on considerations as to how the proposed construction would affect the interests of other railways "in being or planned." It would be fair to say that railway projects of the State should not prejudicially affect the interests of other railway lines in being, provided the line in being was constructed after consultation with the State concerned. But if the Government construct or allow the construction of a railway line without consulting the interests of a State whose territory may be adjacent to the line, it would not be right to say that the State should not guard its own interests or develop its own trade on the ground that such action by the State may prejudicially affect the railway line in being. The Government does not admit the validity of this reasoning, and it goes further to say that the project of the State should not prejudicially affect even a line which may have been planned, though not constructed. For instance, the M.S.M. Railway Company has planned a branch line from Raibag within the Kolhapur State to some places which are just on the Southern borders of the State terminating at present at Nipani which is within four or five miles from the territory of the Kolhapur State. When constructed, this Nipani Raibag line is bound to attract all the merchandise from a considerable portion of the Kolhapur State to itself. The Company may further propose to extend the line westwards through the Kolhapur State via the Phonda Ghat to reach the sea coast in the Ratnagiri District. It should here be remembered that the Kolhapur State has its own railway line starting from Miraj, a station on the M.S.M. Railway. This line reaches Kolhapur and when it was under construction, the State surveyed a line in its own territory intending to reach just the place on the Phonda Ghat to which the M.S.M. Railway probably plans its Raibag Nipani Branch. The Government is financially interested in the M.S.M. Railway and the natural result of the principle laid down by Government would be to disallow the extension of the Kolhapur State Railway in the direction, although the territory belongs to the State and though the extension has been surveyed over 30 years ago. Much less would the Government allow the Kolhapur State Railway to be extended to the sea coast in the Ratnagiri District through its own territory. The result is that on this principle the Kolhapur State Railway will be blocked for ever and not allowed to extend even within the State territory, while the M.S.M. Railway holds in its pocket a plan which would take away from the State a large part of its merchandise which the State is entitled to carry, and the economic interests of the State are to be sacrificed for the benefit of the M.S.M. Railway of the Government. The proposed survey extension of the Kolhapur State Railway towards the west through its own territory was completed in 1895, and in 1896 the proposal was forwarded by the consulting engineer of the railway to the Board of Directors but no reply was received in spite of reminders up to 1899, and the State has been holding the scheme in abeyance almost in despair. The M.S.M. Railway's plan which is bound to be a rival to this scheme was made much later and still, on the principle laid down by Government, the projected railway of the State can easily be vetoed.

A few more facts would throw still clearer light on the Darbar's contention in this respect. The State's railway line has been managed since its construction by the M.S.M. Railway under a special agreement. But this was not enough to satisfy the railway who have tried their best to place direct traffic with their main line in a far more advantageous position than through the Kolhapur State Railway under their own management. Nipani is a centre of tobacco and as stated above, is within 5 miles from the State on the west and the north. It is 25 miles from the Kolhapur railway station and the nearest station of M.S.M. Railway is 30 miles from there and yet the railway has maintained an out-agency at Nipani to carry goods from Nipani to its own station, Chikodi, 30 miles away. But it did not see that the same goods could be carried more easily to Kolhapur Station, 25 miles distant. This was not all. Until the Darbar very strongly protested in 1926, they charged Rs. 2-6-6 from Nipani to Salimar per maund while they themselves charged Rs. 4-4-11 per maund from Kolhapur to the same destination. When a protest was made, the per maund rate from Kolhapur was reduced to Rs. 2-11-4 in 1926. This instance is given to show how the M.S.M. Railway has been aiming at establishing a connection with Nipani on the borders of the State by placing traffic on the State Railway at an enormous disadvantage. Under circumstances like these, the railway policy of the Government has in fact been and will in all probability be against the development of railway lines in the States. The Darbar cannot therefore see the justice of the Government's claim to disallow railway construction in the States on the ground mentioned by Government until the States have a voice in the construction of railways whose interests are to be safeguarded by sacrificing the projects of the States. The principle would be sound if it would be mutually binding, that is, if the Government should consult the States whom it may wish to bind by this principle before it constructs a particular line or plans it. If it has constructed it without the State's interests being guarded, there is no reason why the State should not be allowed to pursue its own schemes in its own territory unhampered by railways brought into being in such a way as to injure the State's own interests in furthering its own railway schemes. If the Government's line is only a plan and the State proposes a line of its own which may prejudicially affect the plan, the Government may drop their plan or may ask the railway company concerned to drop it. The Government insists that the surveys of railway lines made by the States in their own territories may be rejected by Government though they may have cost much to the State. In perfect equity, the States may urge that the plans made by the Government should be rejected, if they conflict with the interests of the existing or projected State railways. It would be impossible to deny the justice of this contention unless the interests of the railways in the States are to be sacrificed for promoting the interests of railways in British India. If this claim is not to be conceded, the next best course would be to allow some compensatory share to the States concerned from the net profits which the Government makes from its railway system.

With reference to jurisdiction over railway lines passing through the States, it appears that the Government still declines to accept the claims of the States if the line forms part of an important

through route operated by Government or by a Company in whose profits the Government has a share. But the Government is prepared to consent to the retention of jurisdiction by the States in other cases on certain conditions mentioned in para. 3 of Annexure A of the Committee's questionnaire under reply. In the first place, the States do not see the reason why jurisdiction is not allowed to be retained by States through whose territories an important through route passes. The jurisdiction has nothing to do with the profits which the Government may take or share. Assuming that the exercise of jurisdiction is efficient as it is required to be, in the cases in which the Government is prepared to consent to the retention of jurisdiction, there is no reason why it should not be exercised on through routes, operated by Government agency. There would be no justification for the distrust which this attitude suggests to be existing in the mind of Government. If the Government has reasons to think that the State machinery for the administration of justice is not proper and still the State claim jurisdiction, the Government should plainly inform the State concerned accordingly and should also state what in its opinion would make that machinery proper. If the State cares for its reputation and for its rights as most States would, the machinery would be improved, so as to satisfy the Government. If it does so, there remains no objection to the transfer of jurisdiction. If it fails to do so, the position which the Government takes in refusing the State's claim would be unassailable. The action of the Government would further form a stimulus to the improvement of State's judicial administration.

The States naturally attach very great importance to this question of railway policy. They do not wish to obstruct the development of British India by means, among others, of railways, but they claim, and claim rightly, that their railway schemes as well as other schemes of development should not be made to subserve the interests of British India or the Government itself. Neither Treaties nor usages of a justifiable character entitle the Government to any preferential claims in this respect over the claims of the States. Irrespective of treaties the Paramount Government may claim certain political rights as incidents of its Paramountcy in an exceptional case of gross mis-government, but there is no moral defence for the Paramount Power making its own economic interests dominate or control the interests of the States without their express consent; but unfortunately many inroads have been made on the economic interests of the State of which some instances have been mentioned above in so far as this State is concerned.

TRAVANCORE.

The history of the cession of jurisdiction in respect of railway lands in Indian States, as briefly indicated in the summary, shows that there have been in the past relaxations in various directions and departures from the earlier and more comprehensive cession of complete transference of jurisdiction in respect of all railway lands whatsoever; but from paragraph (3) of the summary it is gathered that

the Government of India now propose to solidify the earlier and more fluid practice into two clearly defined observances, (i) in respect of Indian States lines forming part of an important through route operated by the Government of India or by a Company in the profit of which the Government of India share and (ii) in respect of railways in Indian States which do not form part of an important through route. In the case of the first category, the Government of India would apparently maintain without relaxation the policy of complete surrender of jurisdiction. In respect of the second category, no surrender of jurisdiction in any form will be demanded of the States subject, however, to four specific conditions; to a general understanding on a point of honour; and to co-operation in ensuring unity of control in case of grave public emergency or in the strategic and military interests of the Empire. The position thus outlined in respect of railways falling within the second category is reasonable and acceptable to the Government of Travancore.

2. In the case of railways of the first category, its scope may be better defined. What constitutes an "important through route" is itself susceptible of a divergence of opinion. The first paragraph of the summary points to this possibility; for instance, the question might arise whether a railway in an Indian State merely establishing contact with a minor branch line of a main system forms part of an "important through route"; and again, a railway might lie wholly within one State and establish contact with a British Indian railway system by means of a line within an adjoining State. It may perhaps be considered whether the following kinds of railways need alone be included within the first category:—

- (a) A line passing through a State or adjoining States and connected at both ends for through traffic with a British Indian system of the same gauge;
- (b) A branch line taking off from a main line and having its terminus within an Indian State, the greater part of which line, from the point of taking off, lies outside the State in which the terminus lies.

It is conceivable, however, that any such classification may not be possible or, even if feasible in theory, may not be conveniently workable. If this should prove to be the case, it might be considered whether instead of applying a hard and fast rule, each railway, other than such as fall automatically within the second category, should not be dealt with for purposes of jurisdiction on its merits and with reference to local conditions.

3. This question of classification of railways as falling within the first category is, however, so far as Travancore is concerned, subordinate to the question of the nature and extent of the jurisdiction exercisable by the British Indian Government in virtue of a cession and that exercisable by the State in virtue of its sovereignty. Upon these points there is at present an apparent conflict of views. Before entering into an examination of this aspect of the case the Government of Travancore here record their adhesion to the general principle that unity of jurisdiction is desirable as a measure of convenience for the proper conduct of the business of such railways as may be placed in the first category.

4. The form in which jurisdiction for this purpose is ceded to the British Indian Government uses language as follows:—

“ Full and exclusive power and jurisdiction of every kind over the lands and over all persons and things whatsoever within the said lands.”

The language is comprehensive; but whether the real intention is co-extensive is a question of ascertainable fact in each case. In the case of the railway lines in Travancore, as in many other Indian States, sovereignty admittedly remains with the State although full jurisdiction has been ceded to the British Indian Government. Accordingly, no British Indian enactment *proprio vigore* applies to such lands. But the Governor-General of India in Council, by virtue of his extra-territorial jurisdiction, may apply British Indian laws to areas of ceded jurisdiction, the mode of application being by notification under the Indian (Foreign Jurisdiction) Order in Council, 1902, and before that by notification under the Indian Foreign Jurisdiction Act, XXI of 1879. In the case of railway lines in Travancore, the Governor-General in Council, acting as above, published notifications in the Foreign Department, Nos. 4861-62, I.B., dated the 2nd November, 1900 (Appendix I), in the following terms:—

“ The Governor-General in Council is pleased to provide as follows for the administration of justice within the said lands ”

and the notifications proceeded to declare all laws for the time being in force in the Tinnevely District of the Madras Presidency to be in force in the railway lines of Travancore. The dominating provision is that the laws were applied for the administration of justice; and, therefore, it may be contended that the British Indian laws applied to the railway lands are such laws only as serve the administration of justice. However, to determine the extent of the jurisdiction which was, in fact, ceded by the Government of Travancore to, and, in fact assumed by the Government of India, it becomes necessary, as observed by the Lord Chancellor in Yusuf-ud-din's case of 1897,* to revert to the correspondence which passed between those representing the two Governments—to see in the first place what was asked for and what was ultimately conceded.” There are three main points on which the correspondence turned in respect of Travancore:—

I.—Upon the question whether the application of British Indian laws to the lands in question completely ousted Travancore from the jurisdiction inherent in her as sovereign.

5. In regard to this point, as a general proposition it may be stated that the cession of jurisdiction to another Power does not take away the jurisdiction inherent in the ceding or sovereign Power. This has been conceded in the correspondence relating to the cession of the lands for the Shencottah-Quilon railway. In his letter No. 3771, dated the 6th December, 1900 (Appendix II), the Resident in Travancore and Cochin wrote to the Dewan:—

“ Until the Madras Government takes action under these notifications† and places the railway police in charge of these

* Muhammad Yusuf-ud-din v. Queen Empress, I. L. R., 25 Cal. 20 (P.C.).

† The notifications of cession.

lines, I presume that matters may remain as they are at present, and the cases of nuisance, assault, cattle trespass, etc., that occur on the lines may be dealt with by the Courts of Travancore and Cochin States. The railway lines by these notifications have not become portion of British India and there is every reason why the Cochin and Travancore Courts should continue to maintain order on these lines until the new machinery is brought into use."

If the cession of jurisdiction meant that the Travancore Government *ipso facto* ceased to have any jurisdiction whatever from the date of cession these assurances given to the Travancore Government conveyed nothing. The position that even after the British Government began to exercise jurisdiction the Travancore Government possessed and could also exercise jurisdiction was impliedly conceded in the same letter.

"After the lines have been opened and after the railway police has taken charge of the lines, it is the intention of the Government of India that the Travancore or Cochin police will not under ordinary circumstances be permitted to make arrests within railway limits or to remove offenders therefrom. But subjects of His Highness who are accused of committing offences without the railway limits will be surrendered without extradition by the railway police to the State police."

The expressions "under ordinary circumstances" and "without extradition" are insignificant and convey the idea that the Travancore Government have jurisdiction and may exercise jurisdiction if necessary. Earlier correspondence shows that this was clearly contemplated. On the 22nd April, 1900 (Appendix III) the Resident communicated a ruling of the Government of India in the following terms:—

"Persons who commit offences in Travancore territory and are found on the railways will ordinarily be arrested by the railway police and will be handed over to the Travancore police without any extradition formalities. Such surrender will be facilitated as far as is possible by empowering selected officers to make over to the Travancore police accused persons on the production of satisfactory evidence of criminality. There is no objection to an arrest being made in an emergency by the Travancore police, provided that the accused is at once made over to the railway police. As a rule, however, the assistance of the railway police should be invoked to seize an offender, and under no pretext should an accused person be removed from any railway limits except under the authority of an officer empowered for the purpose by the Madras Government. The above remarks apply to all offences whether extraditable or not."

From this it is clear that the jurisdiction of the Travancore Government has not been ousted. Further, although "full jurisdiction" was in terms ceded, it was obviously the intention of the British Government to assume only such jurisdiction as is necessary for the "administration of justice within railway lands." (Foreign Department Notifications Nos. 4861-62, I. B., dated 2nd November, 1900) (Appendix I).

6. Although the Government of Travancore affirm the completeness of their inherent jurisdiction and desire a formal recognition of this, yet, in deference to the principle of unity of control for the proper working of the railway they readily put a restraint upon their inherent right and do not intend to advance a claim to the exercise of jurisdiction in the directions covered by the notification referred to, or in such a way as might lead to conflict with, or cause inconvenience to, the arrangement made by the British Government to give effect to their intention as indicated by the notification.

II.—Upon the question whether fiscal jurisdiction was intended to be transferred to the British Indian Government.

7. In the summary on railway jurisdiction referred to in paragraph 6 of the questionnaire it is distinctly stated that, although there are cases in which it has been found convenient to apply to railway lands ceded by the Indian States laws of an adjoining British district *en bloc*, all such laws are not enforced in these lands and "fiscal laws are particularly not enforced as it is not the policy of the Government of India to raise revenue from lands which are ceded for railway purposes." This is not a new pronouncement of policy so far as Travancore is concerned. In the correspondence leading up to the cession of lands, in his letter No. 2996, dated 27th September, 1900 (Appendix IV), the Resident stated:—

"I am to assure you that in the practical working of British jurisdiction on the railways, the Travancore State revenue will not be permitted to suffer injustice."

The Government of Travancore had foreseen difficulties in connection with the working of their fiscal laws and the above statement was made in reply to the Dewan's letter No. 3421/P/422, dated the 3rd May, 1900:—

"As pointed out in my previous letter there are in this country many special and fiscal laws. A strict enforcement of the provisions of these laws is essential in the interests of the State revenue."

These apprehensions were once more allayed by the Resident in his letter No. 3771, dated 6th December, 1900 (Appendix II), in which Travancore was counselled "to wait and see what will be the practical working of these notifications and not to put forward hypothetical cases or difficulties that are only anticipated." This was the reassuring position in which the Government of Travancore found themselves. But the State has recently been taken by surprise by the complete reversal of this position in fiscal matters.

8. The jurisdiction of the Travancore Government for fiscal purposes has received recognition in some respects. In the Travancore Customs Rules issued for railway limits "with the concurrence and sanction of the Government of Madras" it is expressly provided as follows:— "Railway officials residing in railway premises or within railway limits within the Travancore State are not exempt from customs dues but must pay them on any dutiable articles imported or exported by them. A Travancore customs officer will be at the station on the arrival and departure of each train to assess and receive the prescribed duty on such articles in the case of such railway employees who may

find it inconvenient to go to the customs office." It is further provided that "persons desirous of selling tobacco, snuff, cigars, etc., on the platforms of railway stations within Travancore will be permitted to do so on their application through the general traffic manager for licenses which will be granted to them by the Travancore Government free of charge. But the tobacco, snuff, cigars, etc., thus sold must be such as have already paid duty to the Travancore Government," and that "the railway authorities shall permit the officers of the Travancore Government to make searches and examinations under the Tobacco Regulation, Rules and Notifications, in respect of tobacco brought and stored in Travancore Stations." Although the "concurrence" and "sanction" of the British Government to these rules were insisted on, which itself was an inroad on the rights of Travancore, still the fact that Travancore statutory rules were recognised as such in the railway limits was an unmistakable recognition of the jurisdiction of the Travancore Government for fiscal purposes. But none the less the view was subsequently taken that the Travancore Government have no jurisdiction in the railway lines in fiscal matters and that their laws in such matters cannot have force in the railway lands; and they have been told that licenses for European liquor sold in railway refreshment-rooms should be granted by the British authorities as it is the British Abkari law that should prevail in railway lands on the ground that the jurisdiction over them has been ceded to the British Government.* A fee for the license has been and is being remitted to the Travancore Government, but that is not the full license fee leviable under the Travancore law, nor is it levied by the Travancore Government.

9. In 1921 an income-tax law was introduced in Travancore and the South Indian Railway Company was assessed. The company objected on the ground of the cession by Travancore of exclusive power and jurisdiction of every kind over the lands covered by the Travancore railways. Ultimately the Government of India in their letter No. D. 2216/1/27, dated 18th October, 1927 (Appendix V), wrote to the Agent to the Governor-General:—

"The Travancore Darbar have ceded full jurisdiction over the railway lands in question. They retain no fiscal rights in regard to the lands concerned and the recovery of Travancore income tax from these lands is entirely illegal. I am to ask that, if you see no objection, the position may be explained to the Travancore Darbar in suitable terms."

The British Indian authorities went further and assessed Travancore to British Indian income-tax on payments made to Travancore in respect of the working of the railway on the ground that the British revenue laws apply to railway lands and that Travancore is doing business in British Indian territory. Upon appeal the Commissioner of Income Tax, in his proceedings dated the 6th July, 1927 (Appendix VI), cancelled the assessment; but added:—

"This order is not to be construed as implying any admission in regard to the right of the Government of India to make such assessment."

* Resident's letter No. 2231, dated 9-8 1905.

The Government of Travancore find it difficult to reconcile these recent pronouncements with the statement of policy in the annexure to the questionnaire to the effect that fiscal laws particularly are not enforced by the Government of India, or in the non-intervention in fiscal and revenue matters avowed in the correspondence leading up to the cession of jurisdiction over the Travancore railway lands.

10. The history here narrated reveals a course of action, perhaps hardly a conscious policy, which has brought about a complete displacement of Travancore's fiscal jurisdiction. In the beginning there was a disclaimer of any intention to interfere with this jurisdiction and an assurance that nothing would be done to the prejudice of Travancore revenue. Then came a partial admission of Travancore's rights in the matter of customs, excise and abkari, checked almost immediately by the interposition of restrictions; then came the substitution of British rules and regulations for those of Travancore; and the last act has been the complete negation of any fiscal jurisdiction remaining with Travancore as set out in the words of the letter of the Government of India in the Foreign and Political Department No. D. 2216/1/27 (Appendix V), dated 18th October, 1927, quoted above. That categorical pronouncement based upon the mere wording, taken literally, of the instrument of cession, constitutes a complete denial of the original intention as revealed in the early notifications and by "the correspondence between those representing the two Governments—to see in the first place what was asked for and what was ultimately conceded."

III.—Upon the question of the right to execute in railway lands processes of law issued by Travancore authorities.

11. Closely connected with the question of exercising jurisdiction for fiscal purposes is the authority of Travancore officers to serve and execute processes of law issued by the Travancore courts or under Travancore law, such as the arrest of a fugitive offender or of a civil debtor, and the service of witness summonses or warrants. The position of the Travancore Government in regard to all these matters has not been brought to a final issue as yet. But in regard to the arrest of fugitive offenders a temporising arrangement obtains. The position taken by the British Government is that the railway police should make the arrest, notwithstanding an earlier pronouncement that the Travancore police in an emergency may make an arrest themselves on condition that the arrested person is made over to the railway police (Resident's letter No. 1060, dated the 22nd April, 1900) (Appendix III). This position of the Government of India was reinforced shortly after, as appears from the Resident's letter No. 2966, dated the 27th September, 1900 (Appendix IV):—

"The orders of the Government of India, which were conveyed to you by my letter of 20th April, reserve the right of the Government of India to cause to be tried in a British court a native British subject who has committed an offence in a Native State and is arrested within railway limits; but they do not preclude his being handed over to the Native State for trial."

The final position assumed appears to be one that places considerable restrictions on the power of the Travancore courts to exercise their ordinary jurisdiction over all persons including British Indian

subjects. These decisions would indicate that the Travancore Government have not the full right to exercise jurisdiction in the matter of their legal processes. It is the desire of the Travancore Government that the State authorities should have full power to execute their processes of law in such a way as not to conflict with the exercise of jurisdiction assumed by the British Government for the purpose of unity of control in the conduct of railway business. It may not be necessary to indicate in detail all the directions in which the State jurisdiction should operate in the matter of legal processes. It should suffice if a formal recognition is made of this jurisdiction of the Travancore Government over railway lands as over the rest of the State. Detailed arrangements in specific directions may be settled as they arise.

12 In the result, the Government of Travancore consider:—

- (a) That the conditions on which the Government of India are prepared to consent to the permanent retention of jurisdiction by Indian States over railways in their territories, other than lines which form part of an important through route operated by the Government of India or by a company in the profits of which the Government of India share, are reasonable and fair and therefore acceptable.
- (b) That in respect of the excluded class of railways it is desirable to define more clearly what constitutes "an important through route" and that if possible only railways of the following descriptions be placed in the excluded class:—
 - (i) A line passing through a State or group of States and connected at both ends for through traffic with a British Indian railway system of the same gauge;
 - (ii) A branch or subsidiary line taking off from a main line and having its terminus within an Indian State, provided the greater part of such line falls outside the State in which the terminus lies; and
 - (iii) Any line which the Government of India declare to be a through route for military or strategic purposes.
- (c) That, if in practice any such exact classification is not feasible, each existing or proposed line should be examined on its merits in consultation with the Indian State concerned before it is placed in the excluded class.
- (d) That in the interests of unity of control, the jurisdiction necessary for the purpose should vest in the hands of the Government of India in lines of the excluded class.
- (e) That such jurisdiction should be strictly limited to the administration of civil and criminal justice and to the application of the laws relating to railways, the post office and the telegraph.
- (f) That British Indian laws applied to railway lines in a particular State should not be worked to the prejudice of the laws and administrative measures of the State.
- (g) That not only should no British Indian fiscal and revenue-producing laws be applied to such lands but also nothing should be done by the British Indian Government in hindrance of, or detriment to, the normal enforcement of fiscal laws obtaining in the State.

- (h) That formal recognition should be made by the British Indian Government that their acquisition of jurisdiction does not displace the jurisdiction inherent in the State by virtue of its sovereignty, provided that the exercise of the right so inherent shall not conflict with the exercise of the jurisdiction acquired by the British Indian Government in so far as it relates to the specific purposes for which it was intended to be ceded.

APPENDIX I.

NOTIFICATIONS OF THE GOVERNMENT OF INDIA IN THE FOREIGN DEPARTMENT, SIMLA, THE 2ND NOVEMBER, 1900.

No. 4861—I.B.—Whereas His Highness the Maharaja of Travancore has ceded to the British Government full and exclusive power and jurisdiction of every kind over the lands lying within his State which are, or may hereafter be, occupied by the Travancore branch of the South Indian Railway (including the lands occupied by stations, by out-buildings and for other railway purposes), and over all persons and things whatsoever within the said lands:

In exercise of such jurisdiction and of the powers conferred by sections 4 and 5 of the Foreign Jurisdiction and Extradition Act, 1879 (XXI of 1879), and of all other powers enabling him in this behalf, the Governor-General in Council is pleased to provide as follows for the administration of justice within the said lands:—

1. The aforesaid lands shall be deemed to be part of the Tenkasi taluk of the Tinnevely district.
2. All laws for the time being in force in the Tinnevely district of the Madras Presidency shall be deemed to be in force in the said lands.
3. The Governor of Madras in Council and all officers subordinate to the Government of Madras for the time being exercising executive authority within the Tenkasi taluk of the Tinnevely district shall exercise the like authority within the said lands.

Provided that the superintendence of police within the said lands shall, under the general control and superintendence of the Inspector-General of Police of the Madras Presidency, be vested in a superintendent of railway police, who shall be appointed in this behalf by the Governor of Madras in Council and shall exercise throughout the said lands all the powers of a District Superintendent within the meaning of the Police Act, 1861, as hereby applied thereto.

4. All Courts having for the time being jurisdiction within the Tenkasi taluk of the Tinnevely district shall have the like jurisdiction within the said lands.

No. 4862—I.B.—Whereas His Highness the Maharaja of Travancore and His Highness the Raja of Cochin have ceded to the British Government full and exclusive power and jurisdiction of every kind over the lands lying within the respective States which are, or may hereafter be, occupied by the Shoranur-Cochin Railway (including the lands occupied by

stations, by out-buildings and for other railway purposes), and over all persons and things whatsoever, within the said lands:—

In exercise of such jurisdiction and of the powers conferred by Section 4 and 5 of the Foreign Jurisdiction and Extradition Act, 1879 (XXI of 1879), and of all other powers enabling him in this behalf, the Governor-General in Council is pleased to provide as follows for the administration of justice within the said lands:—

1. The portion of the said lands lying between the British-Cochin boundary and the distant signal post on the south side of the Trichur Railway station shall be deemed to be part of the Walluvanad taluk of the Malabar district, and the portion lying between the aforesaid signal post and Ernakulam Railway terminus, and including the latter place, shall be deemed to be part of the Cochin taluk of that district.
2. All laws for the time being in force in the Malabar district of the Madras Presidency shall be deemed to be in force in the said lands.
3. The Governor of Madras in Council and all officers subordinate to the Government of Madras for the time being exercising executive authority within the Walluvanad and Cochin taluks, respectively, of the Malabar district shall exercise the like authority within the portions of the said lands which are hereby declared to form part of those taluks respectively.

Provided that the superintendence of the police within the said lands shall, under the general control and superintendence of the Inspector-General of Police of the Madras Presidency, be vested in a Superintendent of Railway Police, who shall be appointed in this behalf by the Governor of Madras in Council and shall exercise throughout the said lands all the powers of a District Superintendent within the meaning of the Police Act, 1861, as hereby applied thereto.

4. All Courts having for the time being jurisdiction within the Walluvanad and Cochin taluks; respectively, of the Malabar district shall have the like jurisdiction within the portions of the said lands which are hereby declared to form part of those taluks respectively.

APPENDIX II.

Resident in Travancore to Dewan of Travancore, No. 3771, dated 6th December, 1900.

I have the honour to draw your attention to the notifications of the Government of India republished in the "Fort St. George Gazette" of the 27th November, 1900, by which jurisdiction over the railway line is transferred to officers of British India.

2. If any real difficulty arises in consequence of these notifications I am prepared to address Government and to solicit instructions but for the present I would ask the Darbar to wait and see what will be the practical working of these notifications and not to put forward hypothetical cases or difficulties that are only anticipated.

3. I understand that this is a cession of jurisdiction only and is not a cession of sovereignty. In other words, His Highness has, for purposes of administrative convenience, ceded jurisdiction but the railway line remains portion of His Highness' territory. If this point be kept in view it may prevent much discussion hereafter.

4. Until the Madras Government takes action under these notifications and places the Railway Police in charge of these lines, I presume that matters may remain as they are at present and the cases of nuisance, assault, cattle trespass, &c., that occur on the lines may be dealt with by the Courts of Travancore and Cochin States. The railway lines by these notifications have not become portions of British India and there is every reason why the Cochin and Travancore Courts should continue to maintain order on these lines until the new machinery is brought into use.

5. After the lines have been opened and after the Railway Police has taken charge of the lines, it is the intention of the Government of India that the Travancore or Cochin Police will not under ordinary circumstances be permitted to make arrests within railway limits or to remove offenders therefrom, but subjects of His Highness who are accused of committing offences without the railway limits will be surrendered without extradition by the Railway Police to the State Police.

APPENDIX III.

Resident in Travancore to Dewan of Travancore, No. 1060, dated 22nd April, 1900.

With reference to your letter No. 6763, dated 24th November, 1900 (?), I have the honour to inform you that the Government of India rules as follows:—

2. Persons who commit offences in Travancore territory and are found on the railways will ordinarily be arrested by the Railway Police and will be handed over to the Travancore Police without any extradition formalities. Such surrender will be facilitated as far as is possible by empowering selected officers to make over to the Travancore Police accused persons on the production of satisfactory evidence of criminality. There is no objection to an arrest being made in an emergency by the Travancore Police, provided that the accused is at once made over to the Railway Police. As a rule, however, the assistance of the Railway Police should be invoked to seize an offender, and under no pretext should an accused person be removed from any railway limits except under the authority of an officer empowered for the purpose by the Madras Government. The above remarks apply to all offences whether extraditable or not.

3. On the other hand, the Travancore Darbar will be required to surrender for trial by the railway courts any person accused of having committed an offence within railway limits.

4. The Governor-General in Council will establish courts for railway lands and these courts will possess jurisdiction to try British subjects arrested within railway limits for offences committed outside. If such

persons are not European British subjects their extradition will, as a rule, be granted only for the offences enumerated in the schedule to or specified by the Governor-General in Council under Section 11 of Act 21 of 1879 and in accordance with its provisions.

5. With regard to your inquiry whether the Travancore Customs officials will be able to enter a train at the frontier to search the baggage of passengers for tobacco, opium and other contraband goods, general instructions can be issued to the railway authorities requiring them to accord reasonable facilities to the officials of the Travancore Customs Department for the inspection of registers and goods stored on railway premises, and for the recovery of Customs dues, such operations being conducted under conditions which shall have been generally approved by the Resident. An arrangement similar to this exists on the railways in Hyderabad, and is found to work well.

APPENDIX IV.

Resident in Travancore to Dewan of Travancore, No. 2966, dated 27th September, 1900.

With reference to your letter No. 3421, dated 3rd May, 1900, I have the honour to inform you that I have received the orders of the Government of India.

2. Travancore subjects will be surrendered for trial by the Travancore Courts both for extraditable and for non-extraditable offences but British subjects who commit offences in Travancore territory and are arrested on the railway, will not be surrendered unless the offences are extraditable.

3. This rule, however, must be understood to be subject to the following observation: The Government of India has no desire that its railway jurisdiction should operate to create a place of refuge for British Indian subjects who smuggle or otherwise contravene the local or fiscal law of the Travancore State. The orders of the Government of India, which were conveyed to you by my letter of 20th April, reserve the right of the Government of India to cause to be tried in a British Court a native British subject who has committed an offence in a native State and is arrested within railway limits; but they do not preclude his being handed over to the native State for trial. I am to assure you that in the practical working of British jurisdiction on the railways, the Travancore State revenue will not be permitted to suffer injustice.

4. The point upon which you pressed for a definite ruling, namely, that Travancore Customs officers may be permitted to enter a train at the frontier and to search the personal baggage of travellers is not mentioned, but upon that point my Government seems to have addressed a letter to the Resident at Hyderabad and I presume that a further communication will be made when the Resident's reply is received.

APPENDIX V.

Letter No. D. 2216-1/27 dated 18th October, 1927, from the Deputy-Secretary to the Government of India in the Foreign and Political Department to the Agent to the Governor-General, Madras States.

Levy of income-tax on the earnings of the Travancore Railway.

I am directed to enclose, for your information, a copy of a letter from the Agent, South Indian Railway, No. A. A. 659/68 dated the 14th September, 1922, with enclosures on the above subject.

2. The Travancore Darbar have ceded full jurisdiction over the railway lands in question. They retain no fiscal rights in regard to the lands concerned and the recovery of Travancore Income-tax from these lands is entirely illegal.

3. I am to ask that, if you see no objection, the position may be explained to the Travancore Darbar in suitable terms.

APPENDIX VI.

Letter from the Commissioner of Income-tax, Madras, to the Agent to the Governor-General, Madras States, No. 279/27, dated 6th July, 1927.

Railways—Shoranur-Cochin and Travancore branch of the South Indian Railway—Liability to British Indian Income-tax.

Your letter No. P. 1162/27 dated 14th May, 1927.

I have the honour to inform you that the Government of India have *for the present* decided that the profits of the Cochin and Travancore Darbars derived from the above railway lines should not be subjected to British Indian income-tax. I am accordingly cancelling the assessments imposed on the Agent of the South Indian Railway as the agent of the Darbars for the year 1926-27. This order is not to be construed as implying any admission in regard to the right of the Government of India to make such assessments.

COCHIN.

As to the railway lands, there has been a cession of the Cochin territory for certain specified administrative purposes to the British Government and the Cochin Darbar has nothing to add to the summary as amended by the Standing Committee of the Chamber of Princes.

JODHPUR.

(a) *Jodhpur Railway*.—The Durbar retained full jurisdiction but agreed (1889) to cede full Civil and Criminal jurisdiction over the lands occupied by it, whenever the Government of India considered it desirable (Aitchison No. LXX, Vol. III, 4th Edition).

In 1900, Maharaja Sardar Singh of Jodhpur was compelled under pressure to cede "full and exclusive power and jurisdiction of every kind over the lands and over all persons and things." (Aitchison LXXV, Vol. III, 4th edition.)

A precis of correspondence leading up to this Agreement is attached. (Annexure A.)

(2) Subsequently, in 1909, when the Government of India wanted to take over the police arrangements over the Jodhpur Bikaner Railway (now the Jodhpur Railway) the Durbar again gave vent to their strong feelings in the matter of jurisdiction, as a result of which the Government agreed (1910) that for the present "it will be best to continue the existing arrangements whereby the Durbar retain jurisdiction temporarily and provisionally over these portions of the line which pass through their respective States and are likewise responsible for police arrangements."

(3) A curious sequel to the negotiations occurred in 1913, when the Government of India, without any reference to the Durbar, issued a Notification (No. I. B. 517 dated 7th March, 1913) extending the Indian Stamp Act to the Jodhpur-Bikaner Railway. So far as is known, this notification has remained a dead letter. Were it to be given effect, however, at any time, it would mean that all documents relating to the railway (agreements, indemnity bonds, etc.) would have to be charged with duties under the Act, which would deprive the Durbar of revenue. The inference from extension of the Indian Stamp Act to the Jodhpur-Bikaner Railway is that the Jodhpur-Bikaner Railway lands are "British India," and that if the Stamp Act can be applied to them, all other Acts of the Governor-General in Council can be similarly applied. This is a matter which needs clarification.

(b) *B. B. & C. I. Railway*.—(1) The agreement between Government and the Durbar relative to this line is given as No. LXIII in Aitchison Vol. III, 4th edition. The preamble to the Agreement indicates:—

- (a) That the Durbar accepted the arrangement in submission to the Imperial will; and
- (b) That the Durbar regarded the new line as threatened loss to their income from Transit Duties (then still in force).

(2) The actual position to-day in regard to jurisdiction on the B. B. & C. I. line in Jodhpur territory is:—

- (i) The Durbar exercise no Civil or Criminal jurisdiction.
- (ii) The Durbar's fiscal jurisdiction to levy Customs duty within the railway area is accepted and acted upon.
- (iii) The Durbar recently in 1922 (under a Regency Council) ceded Excise jurisdiction to the British Government, on condition that any revenue derived therefrom is paid to the Durbar.

(3) A precis of the correspondence leading up to this recent cession of Excise jurisdiction (No. iii above) is attached (Annexure B). It may be summarised as follows:—

The Durbar in 1921 asked for the co-operation and assistance of the Government Railway Police to enable them to bring to book offenders against their Excise arrangements within Railway limits. On their part, they raised no question of Excise jurisdiction, as they were already possessed of it and were exercising it. But Government in reply suggested the transfer of this Excise jurisdiction on the line to their own control. The Durbar being reluctant to do this, Government went on to claim that in the original cession of jurisdiction on the line by the Durbar, there was no special stipulation excluding Excise matters. In the end, the Durbar (during a minority administration) agreed to cede Excise jurisdiction on the line to Government subject to the provision that all revenue derived therefrom should be credited to the Durbar.

The Excise jurisdiction so ceded has led to trouble and inconvenience and monetary loss to the Durbar.

ANNEXURE A.

Precis of correspondence regarding cession of Jurisdiction on Jodhpur-Bikaner Railway.

In a letter (No. 767) dated the 29th December, 1893, the Jodhpur Durbar addressed the Resident in Jodhpur as follows:—

“ In case the Durbar makes up its mind to construct the proposed Umerkote-Pachbhadra Railway within its territory, it will not be thought amiss if the Durbar, to protect its future interests, wants certain reasonable assurances from the Government of India on points vitally connected with the success of the project in which the Durbar is to launch a large capital.

“ (3) With every railway line, the jurisdiction question generally crops up, but considering (a) the staunch loyalty of this Durbar, (b) its readiness to invest its capital in conformity with the wishes of the Government, (c) the leading parts it has taken in Rajputana in this enterprise, it is hoped the Government will be pleased to let the jurisdiction clause stand as it is in the Jodhpur-Bikaner Railway (Aitchison No. LXX, Vol. III, 4th edition).”

A year later the Durbar in a formal memorandum, 18th December, 1894, amplified their request regarding jurisdiction as follows:—

“ That the Durbar be allowed to retain the civil and criminal jurisdiction over the line through its territories. In deference to Government's wishes, the Durbar is ready to satisfy the benign Government as to efficiency of the police arrangement on the line by securing the loan of a duly qualified European Officer to supervise the Railway Police As regards the Europeans, who may be accused of some offence committed on the railway, the Durbar proposed to *chalan* them after arrest to Ajmer or to any other place which the Government may designate.”

Government's reply to the Jodhpur Durbar's representation (No. 414, dated 7th February, 1895), regarding the retention of jurisdiction said:—

“The Durbar is prepared to satisfy Government as to the efficiency of the police arrangements by securing the loan of a duly qualified European Officer and agrees that Europeans be dealt with in any manner that Government may approve. The Agent Governor-General recommended that on these conditions the Durbar be allowed to retain jurisdiction on the Jodhpur portion of the through line tentatively and further suggested the European Officer be lent by Government and that arrangements satisfactory to Government be made by the Durbar for the trial of criminal charges and civil suits within the Jodhpur jurisdiction. The Agent Governor-General further suggested that the Police Officer might be given Magisterial powers for the disposal of criminal cases, and that the decisions of the Durbar Courts in important civil suits might be made appealable to the Resident at Jodhpur.

“The Government regret they cannot accede to the Durbar's wishes, or accept the Agent Governor-General's proposals in this matter, for in June, 1891, it was very clearly laid down that so long as a railway is isolated in one native State the British Government is not ordinarily concerned to exercise a wider authority than as paramount Power it thinks fit to assert throughout the State generally, but that as soon as any line of railway passes through the territory of two native States or through British territory as well as that of a native State then it becomes necessary to obtain from the State or States concerned a cession of jurisdiction, in order to avoid the inconvenience arising from a multiplicity of jurisdiction. In June, 1891, it was also laid down that in future the policy of the Government of India will be uniformly and strictly enforced. With the proposed extension of the railway the circumstances of the Jodhpur-Bikaner Railway will be substantially changed, it will then pass through both British and native territory and will become part of a through line of communication. A cession of full jurisdiction will, therefore, be necessary under the above-mentioned orders. In similar cases, the jurisdiction has been ceded by Hyderabad, Mysore, Kashmir and other States of first rank and Government cannot but think that the Jodhpur Durbar will be willing to follow the example of these States.”

Some attempt on part of the Durbar, at further bargaining regarding the cession of jurisdiction followed; but in 1895, the reigning Maharaja (Jaswant Singh) died and a minority administration was established which addressed Government (No. 49, dated 23rd January, 1896), leaving the question of the cession of jurisdiction entirely in their hands.

“As regards jurisdiction question, the wishes of this Durbar were conveyed to the Supreme Government during the time of His Highness the late Maharaja, but now the Durbar leaves the matter entirely in the hands of the paramount Power, which is the trustee and guardian of the country during the minority administration

and whatever the benign Government, after taking into consideration the circumstances as well as the staunch loyalty of the Durbar, decides in the matter, will be accepted with due deference."

Thereupon the Resident Jodhpur asked (No. 2316, dated 7th July, 1899):—

" that the Durbar will be good enough to make in the prescribed form herewith attached, cession of jurisdiction on all that portion of the Jodhpur-Bikaner Railway, including any extensions, which lies within Marwar territory."

" This arrangement, I am to say, will no doubt commend itself to the Durbar, and I am to request that you will kindly convey the Durbar's formal assent to the same."

The prescribed form thus referred to was in these words:—

" I of hereby cede to the British Government full and exclusive power and jurisdiction of every kind over the lands in the said State which are, or may hereafter be, occupied by the Jodhpur-Bikaner Railway and its current and future extensions (including all lands occupied for Stations, for out-buildings and for other Railway purposes) and over all persons and things whatsoever within the said lands."

The Jodhpur Durbar replied (No. 1191G, dated 30th August, 1899):—

" the draft agreement, as you will be pleased to observe, is so worded as to be tantamount to the virtual cession of the territorial rights by the Durbar over the land in question, whereas from the previous correspondence on the subject the cession of Police Jurisdiction was all that was required by the Paramount Power, and that over the through line, and which the Durbar is quite willing to forego, subject to a special clause, which is highly necessary in the interests of the Durbar administration.

" The draft agreement has consequently been slightly modified and it is hoped that these modifications will meet with your approval."

The modifications suggested by the Durbar took this form:—

DRAFT AGREEMENT.

" I, Raj Rajeshwar Marharaja Dhiraj Sardar Singh Bahadur of Marwar hereby cede to the British Government full and exclusive police jurisdiction over the lands in the said State which are or may, in future, be occupied by the Jodhpur Bikaner Railway and its current and future through extensions (including all lands occupied for Stations, for out-buildings and for other Railway purposes) and over all persons and things whatsoever within the said limits and that the said limits will be held as Durbar territory for the arrest of offenders who might commit an offence within the Marwar Durbar territory."

The Resident at once responded to these suggestions (5th September, 1899):—

" I find the Government of India have laid down, after consultation with the Secretary of State, that in future, declarations are to be obtained from Native States for the cession of ' full

and exclusive power and Jurisdiction of every kind ' over the lands in the State occupied by Railways. . . . It is useless to send on the draft agreement ceding simply 'full and exclusive police jurisdiction' . . . so I hope the Durbar will re-consider the question and send me a fresh letter and revised draft agreement in the words required. I do not see that anything can be gained by pushing this question further. . . .

"As to the concluding para. of the draft agreement . . . what has arisen to show the necessity for the clause you desire to insert?"

To this the Jodhpur Durbar replied (9th September, 1899):—

" . . . It appears that police jurisdiction was all that was wanted on the through line. But subsequent circumstances elsewhere have brought the necessity of acquiring a wider jurisdiction over the Railway limits to the notice of the Imperial Government and led them to formulate a more comprehensive draft. The Durbar in deference to the wishes of the Paramount Power is prepared to give up its contention on this point and let the wording stand as proposed in the original draft.

"(2) The word 'through' has been added to qualify the current and future extensions to our Railway line. From the letter quoted above you will be pleased to observe that the circumstances under which it becomes necessary for the Paramount Power to obtain a cession of jurisdiction are very explicit and clearly laid down.

"As soon as the line of Railway passes through the territories of two Native States, or through British territory as well as that of a Native State a cession of jurisdiction is held necessary."

"Nor is the enforcement of the policy less clearly pronounced and assured."

"It is said:—

"In June, 1891, it was also laid down that, *in future*, the policy of the Government of India will be uniformly and strictly enforced. If we omit the word 'through' it would not only be against the clearly worded assurance held out and the policy pronounced, but will prove highly deterrent to any further sinking of the Durbar capital in extending feeder lines to its Railway; so much necessary for opening up the country and developing its resources. It is for your goodself to consider whether the representations of the things, as they stand on this special point, will in any way afford the Supreme Government some grounds for re-considering the draft, as it affects both the future development of this country and the policy of the Paramount Power previously explained.

"(3) A further qualifying expression, viz.—for offences committed 'within the said limits' was inserted. Till now, the persons travelling by Railway within our limits are not directly subject to warrants and civil decrees issued by the British Courts; but when the entire jurisdiction is ceded, the position will be changed. It was to avoid legal and technical difficulties that the necessity of framing a revised draft has been felt, and the Durbar would be

quite prepared to omit these words, but would like to know if the Government wishes to see its civil decrees enforced within the said limits.

" (4) That last clause is the most important as in it is involved a point highly essential to the efficiency of our internal administration. It is well known to your good self that if any untoward circumstance has occurred to necessitate a change in the wordings of the Railway jurisdiction Agreement, the scene did not lie within Marwar, but somewhere else; and as the question is now taken in hand as a whole by Supreme Government and the powers and jurisdiction are to be clearly defined and recorded by a specific instrument, the Durbar deems it a right time for arriving at a clear understanding to avoid future complications. I may be permitted to add that in articles of the engagement (Aitchison No. LX) dated 19th July, 1866, under which the land was made over to R.M.R. line it is distinctly stated that no criminal of the State can take refuge in the land, and that any refugee in the land is to be surrendered to the officials of the State.

" Under the circumstances, you will deem the Durbar justified in bringing this matter to the notice of the Imperial Government.

" The Durbar is fully aware that in modifying the draft, the Government of India has to bear in mind the Agreements they have already secured and the decision they have arrived at. If a separate assurance from your good self be given to the Durbar that the Raj Officials shall have every right to arrest the offenders and search the suspected within the said limits for offences committed within Marwar, the Durbar is prepared to omit the clause from the Agreement. "

The Resident replied (7th April, 1900), to the Jodhpur Durbar in respect of their foregoing representation, thus:—

" The Durbar appears to apprehend that the Government of India aim at exercising certain rights of sovereignty combined with jurisdiction which they have not exercised heretofore. This is not the case.

" They do not ask for a cession of sovereignty any more than they have done before. But it has been found necessary to remove from the existing agreements for the cession of jurisdiction certain doubts to which a test case in the law courts showed that these agreements were exposed. The present form has been settled in consultation with the Secretary of State for India in England and does not admit of variation. . . . the distinction, which the Durbar desires to draw between branch and isolated lines and through lines, is not one which it is necessary or profitable to introduce, as it has no practical value at this moment.

" The suggested proviso in regard to the arrest of offenders on Railway lands, is, in reality, devoid of practical importance. Such offenders will be made over to the Durbar authorities in future, under precisely the same arrangements as at present. There is no mention of modifying the existing rules in this respect.

"Gwalior, Kotah, Tonk, Hyderabad, Kashmir, Bhopal, Mysore and other States have all, it is believed, signed precisely similar forms without demur. In these circumstances an objection from Jodhpur alone would come with bad grace, having regard to the generous attitude displayed towards that State by the Government of India in regard to the currency reforms now in progress and the aid given for famine relief.

"A reference to earlier correspondence shows the special consideration which the Government of India have always endeavoured to show to the Jodhpur State in regard to Railway jurisdiction, but the Government orders on the matter under discussion make it clear that Government are not able to accept any modification of their policy on this particular point.

"The Agent to the Governor-General feels confident now that the above facts have been thus fully explained to the Durbar, they will not persist in maintaining an attitude of distrust, which it alone has adopted among all States in India . . ."

The cession of jurisdiction desired by Government, was finally concluded by the following intimation from the Chief Minister, Jodhpur Durbar (11th April, 1900), to the Resident:—

" . . . under the circumstances pointed out I beg to convey the assent of the Marwar Durbar to the Agreement about the cession of the jurisdiction.

"The agreement duly signed by His Highness the Maharaja is enclosed."

This agreement referred to in the final clause above was recorded in Aitchison as No. LXXV.

ANNEXURE B.

Precis of Correspondence regarding Excise jurisdiction over the B.B. & C.I. Railway lands in Marwar.

The Durbar (letter No. 1571, dated 14th June, 1920), addressed the Resident:—

(a) Pointing out that a considerable amount of smuggling of liquor from Jaipur side into Marwar territory was going on, and that the Raj officials found it very difficult to approach the offenders red-handed for want of co-operation of the Railway Police along the B.B. & C.I. Railway line between Beawar and Erinpura Road Stations;

(b) And requesting him to address the Railway Police authorities with a view to ensure their thorough co-operation with the State Excise officials in detecting the illicit entry of liquor within Railway limits in Marwar territory so that the State revenue may not suffer.

(2) The Resident replied (letter No. 2843, dated 24th July, 1920), saying:—

"As the Railway Police have no jurisdiction in Excise matters in Railway areas, it is impossible for them to co-operate with Durbar officials in the detection of country liquor smuggling cases in these areas.

"In order to secure their co-operation it would be necessary to bring an Excise law into force in the Railway area I should be glad to learn the views of the Durbar in the matter."

(3) The Durbar in reply (letter No. 95, dated 14th October, 1920), said:—

"Smuggling of country liquor is carried on with the connivance of some of the Railway employees and the Durbar deem it necessary to put a stop to this illicit import. The object cannot be attained without making some sort of arrangement with the Railway authorities to help the Durbar people in checking this unlawful practice.

" the Durbar hopes that the Railway authorities will be good enough to help the Raj Excise officials in searching any suspect within the Railway area on the assumption that the Durbar still retain its sovereignty over the said area."

(4) The Resident thereupon forwarded (No. 244, dated 15th June, 1921), a copy of certain Rules* under the Central India and Rajputana Excise Law of 1921, which would appear to dispose of the "difficulties" experienced by the State officials in connection "with the smuggling of liquor from Railway areas."

(5) The Jodhpur Durbar in reply (letter No. 54, dated 9th June, 1922), drew attention to their customs jurisdiction on the line as officially recognised by Government "which clearly indicates that the territory occupied by the Railway within Marwar had been let for Railway purposes only and not for the revenue purposes," and added "if the Honourable the Agent to the Governor General were to take over charge of the Excise jurisdiction, it would (1) go against the ruling of Supreme Government (2) be quite contrary to the practice which has been in vogue till now and (3) would afford facilities for smuggling liquor in our territory."

Hence, the Durbar were not prepared to accept the suggestion to make over their Excise jurisdiction to Government.

(6) The Resident replied (letter No. 2053, dated the 17th July, 1922):—

"Your letter appears to have been written under a misapprehension of the object of these Rules which is to control dealings in spirituous liquors. So far from affording facilities for smuggling liquor into Marwar territory it seems to me that they must have the opposite effect. There is no question of depriving the Durbar of their fiscal rights in the proceeds of any excise duties which may be imposed, for you will observe that Rule 6 provides for the payment of the license fees to the Durbar No special stipulation excluding Excise matters from the scope of the cession of jurisdiction was made in the Kharita of July 19th, 1886, as it was in the case of Customs duties."

* These rules proposed to vest in the Hon'ble the Agent to the Governor General the right to control the import, export, possession, sale, manufacture, &c., of intoxicating drugs and of spirit and fermented liquor, &c.

(7) The foregoing reply from the Resident having been considered by the Council of Regency, they informed the Resident (letter No. 292, dated November 20th, 1922), that they had no objection to the proposed exercise of Excise jurisdiction by Government on the line, provided that any income "derived therefrom is paid to the Durbar."

But a point to notice is that without waiting for any reply from the Durbar, the new Excise Rules were put into force from August 14th, 1922.

BANSWARA.

Just no railway traverses Banswara territory, so the Durbar have no experience of the practical difficulties resulting from the session of jurisdiction, which they agreed to give so far back as in 1865, and therefore they can say nothing in what respects the summary referred to in the sixth question needs to be amended. But it is under contemplation to have an extension of the Railway to Banswara territory in the near future. Hence the Durbar would request a change in the old policy. Cession of jurisdiction over Railway lands was in old times presumably required for fear of miscarriage of justice in State Courts which were generally inefficient in those days.

The circumstances have now changed. Now the Government of India desire the administration of justice in the State to be modelled on the lines prevailing in British India, and the Durbar have introduced the Indian Penal Code and Criminal Procedure Code of British India into their territory, and are maintaining efficient and qualified Judiciary to nullify all fears of miscarriage of justice in the Banswara Courts. They would therefore suggest that the British Government be pleased to allow jurisdiction over railway lands in the Banswara State to be retained by them intact, as is contemplated in Article 4 of their Treaty.

The railway through Banswara territory is not likely to form part of important through traffic lines of India. So no British Police need be introduced for railway lands in Banswara. The Durbar Police will be fully competent to deal with all crimes along the railway.

In a word, the Banswara Durbar would request that the present policy of the British Government regarding the Railway Jurisdiction may kindly be dropped, so far as Banswara territory is concerned. They would further add that in other States, where Judicial administration is conducted just as in British-India, no cession of jurisdiction over railway lands may be required to be ceded by those States.

JAISALMIR.

There is, at present, no railway in Jaisalmir, nor will the Durbar like to have an inch of railway in their territory which they may not own, or over which they may not exercise their jurisdiction—civil, criminal, fiscal. Ceding of jurisdiction over any part of territory is, in the opinion of this Durbar, nearly the same thing as renunciation of sovereign rights.

PARTABGARH.

No railway line enters the State, but the R.M. Railway runs at a short distance and the station nearest to the capital is Mandsaur twenty miles due east. A metalled road runs between Partabgarh and Mandsaur. Its total length is 13 miles in Partabgarh and 7 miles in Gwalior territory. No further suggestions are to be offered in connection with the summary regarding jurisdiction over lands occupied by railways as amended by the Chamber of Princes on 20th August, 1924.

RAMPUR.

The States should have full jurisdiction of every kind on lands occupied by railways that pass through their territories and the Ruling Princes should be granted concessions in fares when they are travelling in their own saloons or by special trains on all the railways in India.

BHAVNAGAR.

The summary amended by the Standing Committee is a result of much thought, and I have no wish to go into details. To me the question of jurisdiction appears simple. Jurisdiction over railway lines owned by Government or joint stock companies should only be with Government, but where lines are built by Indian States, and are owned and worked by them as proprietors, the police control should be vested in the proprietor and jurisdiction in States through whose territories the railways pass.

COOCH BEHAR.

The Regency Council have nothing to add to the summary regarding jurisdiction over lands occupied by railways in their territory, but should there be in future any change in policy regarding this matter the Regency Council would expect an opportunity to consider any such change.

DHRANGADHRA.

The Durbar understand that the policy, as outlined in annexure A to the Questionnaire, is meant to apply not only to new lines but also contemplates retrocession of jurisdiction to States, who have already ceded it.

Pending the question of retrocession of jurisdiction over railway lands, it is urged that the exercise of civil and criminal jurisdiction by Government of India over railway lands be confined strictly to the needs of the proper administration of the railways which the original Cession was intended to secure.

JUNAGADH.

The Agreements between the Junagadh State and the British Government in the matter of jurisdiction over lands on which railways are constructed have been as follows:—

1. November, 1879, Kathiawar State Railway.
2. October, 1886, Jetalsar-Verawal Railway.
3. June, 1910, Shahpur-Kutiana Railway.
4. August, 1912, Junagadh-Visavadar Section.
5. February, 1918, Verawal-Talala Section.
6. April, 1920, Talala-Jambur Section.
7. November, 1923, Jambur-Prachi Section.

—(Appendices XLII to XLVIII.)

It would be noticed that in Clause 6 of the Agreement dated 13th November, 1886, in respect of the Jetalsar-Verawal Section it has been specifically provided that "the Junagadh Durbar will be entitled to the benefits of any orders, general or special, that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced."

It appears that the orders in respect to jurisdiction were modified from time to time as summarised in the note of the Standing Committee of the Chamber of Princes dated 20th August, 1924, which is attached to the questionnaire. This note says, "Subsequent developments have, however, considerably modified the view then taken. It was, for instance, decided in 1893 that the orders should not be so interpreted as to require cession of jurisdiction over a line lying wholly within State limits but connected at one end with the British railway system. Again, in 1898, a Durbar was permitted to retain jurisdiction over a portion of State railway in spite of the fact that a portion of the line traversed another State. Three years later the orders were relaxed in another case, in which a Durbar was permitted to retain jurisdiction although the railway penetrated into British territory. In 1902 a further step in the same direction was taken, a Durbar being permitted to retain jurisdiction over a proposed railway line even though it might subsequently form part of a line connected at both ends with the British system. The principle of the original orders has also been relaxed in several cases where lines pass through more than one State by permitting Durbars to retain jurisdiction over the portions of the lines within their respective limits."

The other agreements between the Junagadh State and the British Government were made from June, 1910, to November, 1923, and in spite of the provision in the Agreement dated October, 1886, to give the benefit of subsequent orders to Junagadh, no such benefits have been given.

According to the summary aforesaid, jurisdiction over a line which is located wholly inside State limits should be retained by the State.

In the case of Junagadh, complications arise only with regard to a small railway in which the State is partly owner and which passes also through the territory of Gondol, Jetpur and Rajkot.

In the case of other lines in the State, the conditions set out in paragraph 3 of the summary appended to the questionnaire on this subject are fully satisfied:—

“The following are the conditions on which the Government of India are prepared to consent to the permanent retention of jurisdiction by States over the railways in their territories other than those which form parts of an important through route operated by the Government of India or by a Company in the profits of which the Government of India shares:—

- “(i) that the State or a Company or individual or association of individuals authorised by the State is either the owner of the railway or at least has a substantial interest in it and works it;
- “(ii) that the State possesses proper machinery for the administration of justice;
- “(iii) that adequate control over the working and maintenance of the line is retained either by the application of an enactment and rules similar to the Indian Railways Act and the rules made thereunder, or otherwise;
- “(iv) that the State will grant permission for such inspections of the line by Government Railway Officials as may be considered necessary.”

It would be in accordance with the spirit of the last clauses of all the agreements which have been made in the matter of jurisdiction if the State were allowed to resume jurisdiction over these lands. If this question is therefore examined by the Committee and any recommendations made on the lines set out in the summary attached to their questionnaire, the Junagadh State should receive the benefit of such recommendations.

The request for restoration of jurisdiction is not based on merely sentimental ground of prerogative though it would be idle to deny that such considerations carry weight with every prince in India. The more important reason is the practical inconvenience which has been experienced in the administration of justice on account of parallel authority in juxtaposition with one another.

The nature of some of the difficulties will be illustrated by the correspondence appended herewith. (Appendix XLIX.)

Besides these difficulties in the administration of law and justice, questions have arisen regarding the administration of excise, particularly in the matter of tobacco and liquor, as the agreements surrendering jurisdiction are not capable of the interpretation put on them by which the excise laws of the State cannot apply to these limits.

APPENDIX XLII.

I hereby cede to the Government of India all the Criminal Jurisdiction possessed by me in the lands of my territory, which have been permanently assigned and made over by me for the Kathiawar State Railway, this cession of the Criminal Jurisdiction aforesaid

being exercised by the Government of India in the Political Department for so long as the aforesaid lands may be required for that railway, and being restored to me or my successors respectively when the lands are no longer needed for the railway.

It is to be understood that the Authorities exercising the Jurisdiction ceded as aforesaid will liberally afford to the servants of my State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of Criminals, the seizure of stolen property, and in view generally to the maintenance and promotion of peace and order.

Dated at Junagadh Palace this Samwat (Vikramajit) 1936, the 12th of Kartic Sud, Tuesday (corresponding with) twenty-fifth day of November of the Christian Year one thousand eight hundred and seventy-nine.

(Signed in Persian.)

MOHOBATKHANJI,

Nawab, Junagadh State.

(Junagadh Agreement relating to the cession of criminal jurisdiction over railway lands.)

APPENDIX XLIII.

Agreement passed by His Highness Bahadurkhanji Mohobatkhanji, Nawab of Junagadh, on the one part, and Lieutenant-Colonel Charles Wodehouse, Acting Political Agent in Kathiawar, representing the British Government, on the other, regarding the cession to the British Government of criminal and certain civil jurisdiction over the lands made over for the purposes of the Junagadh extension of the Bhavnagar-Gondal Railway.

Whereas the Nawab of Junagadh has undertaken to construct a metre-gauge railway from the Jetalsar Station of the Bhavnagar-Gondal Railway to Veraval, and whereas for the purposes of the proper administration and management of the affairs of the said Railway it is deemed expedient that criminal and certain civil jurisdiction (saving sovereignty rights) over the lands lying within His Highness' territory which are traversed by the Railway should be ceded to the Government of India in the Political Department, His Highness the Nawab Bahadurkhanji Mohobatkhanji, of Junagadh, for himself, his heirs and successors, hereby cedes to the Government of India in the Political Department all the criminal jurisdiction (saving sovereignty rights) possessed by him in the portions of his territories which have been assigned and made over by him for the purposes of the Junagadh State Railway, to be exercised by the Government of India in the Political Department for so long as the land may be required for the Railway, and to be restored to him or his heirs and successors when the land is no longer needed for the above purposes.

2. It is to be understood that the authorities exercising the jurisdiction ceded as aforesaid will liberally afford to the servants of his

State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of criminals, the seizure of stolen property, and generally to the maintenance of peace and order.

3. His Highness the Nawab Bahadurkhanji Mohobatkhanji, of Junagadh, also agrees that all suits of a civil nature brought against the Junagadh State Railway respecting the loss of or damage to goods or injury to person within the Railway limits and cases of a civil nature arising out of the application of the Railway Act over the said limits, shall be heard and decided in due course in the Kathiawar Political Agency Courts.

4. Provided always that the Railway Manager shall represent the Railway in such suits and not the proprietary State of Junagadh, and that any decrees that may be passed shall be executed against the Railway property and not against the proprietary State of Junagadh.

5. Provided also that all other civil jurisdiction within the limits of the said Junagadh Railway, shall continue and be exercised as heretofore by the Junagadh State.

6. His Highness the Nawab Bahadurkhanji Mohobatkhanji, of Junagadh, distinctly wishes it to be understood that the cession of jurisdiction hereby made is "subject to the proviso" that the cession above agreed to shall not be a bar to the Junagadh Durbar being held entitled to the benefits of any orders, general or special, that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced.

BAHADURKHANJI,

Nawab of Junagadh.

Junagadh Palace,

The 31st October, 1886.

C. WODEHOUSE, Colonel,

Acting Political Agent.

Rajkot,

The 13th November, 1886.

(Agreement by the Nawab of Junagadh regarding the cession of full criminal and certain civil jurisdiction over the Jetalsar-Veraval Section of the Railway.)

APPENDIX XLIV.

Whereas the Nawab of Junagadh has undertaken to construct a metre-gauge railway from the Shahpur Station of the Junagadh Integral Railway to Kutiana and whereas for the purposes of the proper administration and management of the affairs of the said railway, it is deemed expedient that criminal and certain civil jurisdiction (saving sovereignty rights) over the lands lying within His Highness' territory, which are traversed by the railway should be ceded to the Government of India in the Political Department, His Highness the Nawab Sir Rasulkhanji Mohobatkhanji of Junagadh

for himself, his heirs and successors, hereby cedes to the Government of India in the Political Department all the Criminal jurisdiction (saving sovereignty rights) possessed by him in the portions of his territories, which have been assigned and made over by him for the purposes of the Shahpur-Kutiana extension to be exercised by the Government of India in the Political Department for so long as the land may be required for the railway and to be restored to him or his heirs and successors when the land is no longer needed for the above purposes.

2. It is to be understood that the authorities exercising the jurisdiction ceded as aforesaid will liberally afford to the servants of his State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of criminals, the seizure of stolen property and generally to the maintenance of peace and order.

3. His Highness the Nawab Sir Rasulkhanji Mohobatkhani of Junagadh also agrees that all suits of a civil nature brought against the Shahpur-Kutiana extension respecting the loss or damage to goods or injury to person within the railway limits and cases of a civil nature arising out of the application of the Railway Act over the said limits shall be heard and decided in due course in the Kathiawar Political Agency Courts.

4. Provided always that the Railway Manager shall represent the Railway in such suits and not the Proprietary State of Junagadh, and that any decrees that may be passed shall be executed against the railway property and not against the proprietary State of Junagadh.

5. Provided also that all other Civil jurisdiction within the limits of the said Shahpur-Kutiana extension shall continue and be exercised as heretofore by the Junagadh State.

6. His Highness the Nawab Sir Rasulkhanji Mohobatkhani of Junagadh distinctly wishes it to be understood that the cession of jurisdiction hereby made is subject to the proviso that the cession above agreed to shall not be a bar to the Junagadh Durbar being held entitled to the benefits of any orders, general or special, that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced.

Nawab of Junagadh.

Junagadh Palace,
18th June, 1910.

C. H. A. HILL, I.C.S.,

Agent to the Governor Kathiawar.

(Agreement passed by His Highness Sir Rasulkhanji Mohobatkhani, G.C.S.I., Nawab of Junagadh, on the one part and C. H. A. Hill, Esquire, C.I.E., I.C.S., Agent to His Excellency the Governor in Kathiawar, representing the British Government, on the other, regarding the cession to the British Government of criminal and certain civil jurisdiction over the lands made over for the purposes of the Shahpur-Kutiana extension of the Junagadh Integral Railway.)

APPENDIX XLV.

Whereas the Junagadh State has undertaken to construct a metre-gauge railway from the Junagadh Station of the Junagadh State Railway to Visavadar and whereas for the purposes of the proper administration and management of the affairs of the said railway, it is deemed expedient that criminal and certain civil jurisdiction (saving sovereignty rights) over the lands lying within the Junagadh State territory which are traversed by the railway should be ceded to the Government of India in the Political Department, the Administrator, on behalf of His Highness the minor Nawab Mahabatkhanji Rasulkhanji of Junagadh, his heirs and successors, hereby cedes to the Government of India in the Political Department all the criminal jurisdiction (saving sovereignty rights) possessed by him in the portions of his territories which have been assigned and made over by him for the purposes of the Junagadh-Visavadar Section to be exercised by the Government of India in the Political Department for so long as the land may be required for the railway and to be restored to the minor Nawab Mahabatkhanji or his heirs and successors, when the land is no longer needed for the above purposes.

2. It is to be understood that the authorities exercising the jurisdiction ceded as aforesaid, will liberally afford to the servants of the Junagadh State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of criminals, the seizure of stolen property and generally to the maintenance of peace and order.

3. The Administrator also agrees that all suits of a civil nature brought against the Junagadh-Visavadar Section respecting the loss or damage to goods or injury to person within the railway limits and cases of a civil nature arising out of the application of the Railway Act over the said limits shall be heard and decided in due course in the Kathiawar Political Agency Courts.

4. Provided always that the Railway Manager shall represent the Railway in such suits and not the proprietary State of Junagadh and that any decrees that may be passed shall be executed against the railway property and not against the proprietary State of Junagadh.

5. Provided also that all other civil jurisdiction within the limits of the said Junagadh-Visavadar Section shall continue and be exercised as heretofore by the Junagadh State.

6. The Administrator distinctly wishes it to be understood that the cession of the jurisdiction hereby made is subject to the proviso that the cession above agreed to shall not be a bar to the Junagadh Durbar being held entitled to the benefits of any orders, general or special,

that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced.

L. ROBERTSON, I.C.S.,
Administrator, Junagadh State.

J. SLADEN, I.C.S.,
Agent to the Governor, Kathiawar.

Administrator's Office,
Junagadh,
31st August, 1912.

(Agreement passed by Lawrence Robertson, Esquire, I.C.S., Administrator, Junagadh State, hereinafter called the "Administrator" (which term shall include all persons hereinafter duly appointed by the Government of Bombay to perform duties of Administrator) on the one part, and J. Sladen, Esquire, I.C.S., Agent to His Excellency the Governor in Kathiawar, representing the British Government, on the other, regarding the cession to the British Government of criminal and certain civil jurisdiction over the lands made over for the purposes of the Junagadh-Visavadar Section of the Junagadh State Railway.)

APPENDIX XLVI.

Whereas the Junagadh State has undertaken to construct a metre-gauge railway from the Veraval Station of the Junagadh State Railway to Talala and whereas, for the purposes of the proper administration and management of the affairs of the said Railway, it is deemed expedient that criminal and certain civil jurisdiction (saving sovereignty rights) over the lands lying within the Junagadh State territory, which are traversed by the railway, should be ceded to the Government of India in the Political Department, the Administrator, on behalf of His Highness the minor Nawab Mahabatkhani Rasulkhanji of Junagadh, his heirs and successors, hereby cedes to the Government of India in the Political Department all the criminal jurisdiction (saving sovereignty rights) possessed by him in the portions of his territories, which have been assigned and made over by him for the purposes of the Veraval-Talala section to be exercised by the Government of India in the Political Department for so long as the land may be required for the Railway and to be restored to the minor Nawab Mahabatkhani or his heirs and successors, when the land is no longer needed for the above purposes.

2. It is to be understood that the authorities exercising the jurisdiction ceded as aforesaid, will liberally afford to the servants of the Junagadh State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of criminals, the seizure of stolen property and generally to the maintenance of peace and order.

3. The Administrator also agrees that all suits of a civil nature brought against the Veraval-Talala section respecting the loss of or damage to goods or injury to persons within the railway limits and cases of a civil nature, arising out of the application of the Railway Act over the said limits, shall be heard and decided in due course in the Kathiawar Political Agency Courts.

4. Provided always that the Railway Manager shall represent the railway in such suits and not the proprietary State of Junagadh, and that any decrees that may be passed shall be executed against the railway property and not against the proprietary State of Junagadh.

5. Provided also that all other civil jurisdiction within the limits of the said Veraval-Talala section shall continue and be exercised as heretofore by the Junagadh State.

6. The Administrator distinctly wishes it to be understood that the cession of the jurisdiction hereby made is subject to the proviso that the cession above agreed to shall not be a bar to the Junagadh Durbar being held entitled to the benefits of any orders, general or special, that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced.

H. D. RENDALL, I.C.S.,

Administrator,

Junagadh State.

Administrator's Office,
12th February, 1918.

(Agreement passed by Hugh Davey Rendall, Esquire, I.C.S., Administrator, Junagadh State, hereinafter called the "Administrator" (which term shall include all persons hereafter duly appointed by the Government of Bombay to perform the duties of Administrator) on the one part and E. Maconochie, Esquire, C.S.I., I.C.S., Agent to the Governor in Kathiawar, representing the British Government, on the other, regarding the cession to the British Government of criminal and certain civil jurisdiction over the lands made over for the purposes of the Veraval-Talala Section of the Junagadh State Railway.)

APPENDIX XLVII.

Whereas the Nawab of Junagadh has undertaken to construct a metre-gauge railway from the Talala Station of the Junagadh State Railway to Jambur, and whereas for the purposes of the proper administration and management of the affairs of the said railway, it is deemed expedient that criminal and certain civil jurisdiction (saving sovereignty rights) over the lands lying within His Highness's territory which are traversed by the railway, should be ceded to the Government of India in the Political Department, His Highness the Nawab MahabatKhanji Rasulkhanji of Junagadh, for himself, his heirs and successors, hereby cedes to the Government of India in the Political Department all the criminal jurisdiction (saving sovereignty rights) possessed by him in the portions of his territories, which have been assigned and made over by him for the purposes of the Talala-Jambur section to be exercised by the Government of

India in the Political Department for so long as the land may be required for the railway and to be restored to him or his heirs and successors when the land is no longer needed for the above purposes.

2. It is to be understood that the authorities exercising the jurisdiction ceded as aforesaid will liberally afford to the servants of his State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of criminals, the seizure of stolen property and generally to the maintenance of peace and order.

3. His Highness the Nawab Mahabatkhanji Rasulkhanji of Junagadh also agrees that all suits of a civil nature brought against the Talala-Jambur section respecting the loss of or damage to goods or injury to persons within the railway limits and cases of a civil nature, arising out of the application of the Railway Act over the said limits, shall be heard and decided in due course in the Kathiawar Political Agency Courts.

4. Provided always that the Railway Manager shall represent the railway in such suits and not the proprietary State of Junagadh, and that any decrees that may be passed shall be executed against the railway property and not against the proprietary State of Junagadh.

5. Provided also that all other civil jurisdiction within the limits of the said Talala-Jambur section shall continue and be exercised as heretofore by the Junagadh State.

6. His Highness the Nawab Mahabatkhanji Rasulkhanji of Junagadh distinctly wishes it to be understood that the cession of jurisdiction hereby made is subject to the proviso that the cession above agreed to shall not be a bar to the Junagadh Durbar being held entitled to the benefits of any orders general or special, that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced.

MAHABAT KHAN,

Nawab of Junagadh.

Junagadh Palace,
22nd April, 1920.

(Agreement passed by His Highness Mahabatkhanji Rasulkhanji of Junagadh on the one part and E. Maconochie, Esquire, C.S.I., I.C.S., Agent to the Governor in Kathiawar, representing the British Government, on the other, regarding the cession to the British Government of criminal and certain civil jurisdiction over the lands made over for the purposes of the Talala-Jambur Section of the Junagadh State Railway.)

APPENDIX XLVIII.

Whereas the Nawab of Junagadh has undertaken to construct a metre-gauge railway from the Jambur Station of the Junagadh State Railway to Prachi Road, and whereas for the purposes of the proper administration and management of the affairs of the said railway, it is deemed expedient that criminal and certain civil jurisdiction (saving sovereignty rights) over the lands lying within His Highness' territory which are traversed by the railway, should be ceded to the Government of India in the Political Department, His Highness the Nawab Mahabatkhanji Rasulkhanji of Junagadh, for himself, his heirs and successors, hereby cedes to the Government of India in Political Department all the criminal jurisdiction (saving sovereignty rights) possessed by him in the portions of his territories, which have been assigned and made over by him for the purposes of the Jambur-Prachi Road section to be exercised by the Government of India in the Political Department for so long as the land may be required for the railway and to be restored to him or his heirs and successors when the land is no longer needed for the above purposes.

2. It is to be understood that the authorities exercising the jurisdiction ceded as aforesaid will liberally afford to the servants of his State all reasonable and practicable facilities in view to the prevention of crimes, the apprehension of criminals, seizure of stolen property and generally to the maintenance of peace and order.

3. His Highness the Nawab Mahabatkhanji Rasulkhanji of Junagadh also agrees that all suits of a civil nature brought against the Jambur-Prachi Road section respecting the loss or damage to goods or injury to persons within the railway limits and cases of a civil nature arising out of the application of the Railway Act over the said limits shall be heard and decided in due course in the Kathiawar Political Agency Courts.

4. Provided always that the Railway Manager shall represent the railway in such suits and not the proprietary State of Junagadh, and that any decrees that may be passed shall be executed against the railway property and not against the proprietary State of Junagadh.

5. Provided also that all other civil jurisdiction within the limits of the said Jambur-Prachi Road section shall continue and be exercised as heretofore by the Junagadh State.

6. His Highness the Nawab Mahabatkhanji Rasulkhanji of Junagadh distinctly wishes it to be understood that the cession of jurisdiction hereby made is subject to the proviso that the cession above agreed to shall not be a bar to the Junagadh Durbar being held entitled to the benefits of any orders, general or special, that may be passed by the Government of India with regard to railway jurisdiction in Native States similarly circumstanced.

MAHABAT KHAN,

Nawab of Junagadh.

11th November, 1923.

(Agreement passed by His Highness Mahabatkhanji Rasulkhanji, Nawab of Junagadh, on the one part and Lieut.-Colonel W. M. P. Wood, C.I.E., Agent to the Governor in Kathiawar, representing the British Government, on the other, regarding the cession to the British Government of criminal and certain civil jurisdiction over the lands made over for the purposes of the Jambur-Prachi Road Section of the Junagadh State Railway.)

APPENDIX XLIX.

No. J/79 of 1917.

Kathiawar Political Agency,
Rajkot.

18th October, 1917.

Memorandum:—

With reference to the first part of question No. 3 discussed by the representatives of the States of Nawanagar, Bhavnagar, Dhrangadhra, Morvi and Gondal with the Agent to the Governor, Kathiawar, at an informal interview on the 19th March, 1917, the States of Classes I to IV are informed that on a very careful consideration of the case, Government have decided that jurisdiction in criminal matters over the men comprising the Kathiawar Agency Police is reserved to the Agency Courts. Government are, however, willing to allow the State Courts to take cognizance of offences committed by the men of the Agency Police which are unconnected with their official duties, subject to the prior sanction of the Agent to the Governor, Kathiawar, and subject also to a power being vested in him to withdraw such cases and to transfer them to an Agency Court.

To be shown to the States of Classes I to IV.

By Order,

P. C. GOVINDEN,
For Personal Assistant to the Agent
to the Governor, Kathiawar.

Copy, with compliments, to:—

The Superintendent, Agency Police, Kathiawar.

No. 207 of 1917.

Rajkot,

20th October, 1917.

Copy forwarded with respectful compliments to the Administrator Sahab Bahadur for information.

PRANLAL VARDHMAN,
State Vakil,
Junagadh.

TRIPURA.

The reply to this question is reserved. Generally it may be said that States should be allowed to retain civil, criminal and fiscal jurisdiction over lands occupied by railways in their territories, except on occasions of emergency and for Imperial strategic reasons.

CAMBAY.

Here, as in the case of 5 (a) and 5 (b), the State would prefer this question to be considered in the light of general representations that are going to be made by the more important States.

MORVI.

It is submitted that the exercise of civil and criminal jurisdiction by the Government of India over railway lands should be confined to railway administration purposes only. Attention is drawn to the departures pointed out in the Appendix hereto annexed.*

PUDUKKOTTAI.

The Pudukkottai Durbar have recently ceded jurisdiction over the land acquired within the State for the Trichinopoly-Pudukkottai-Karaikkudy branch of the South Indian Railway Company. The Durbar have no actual experience of the difficulties and inconveniences that may be caused to the State as a result of the cession of the jurisdiction as the railway is just now under construction and the line is to be opened for traffic hereafter. It is however expected that the inconvenience of the State being cut into two pieces as it were by the intervention of a foreign jurisdiction will be great. There are also the loss of territory and of prestige which are not unimportant considerations that weigh with the Durbar and should, they believe, weigh also with the Paramount Power. The Durbar do not believe that the obstacles to the retrocession by the Government of India of the jurisdiction back to the State are insurmountable. If it is necessary in general interests, the British Government may have police jurisdiction over the line and all other jurisdictions may be ceded back to the State. It may be mentioned here that the civil and criminal Courts in the State have been modelled on exactly British lines in all respects and the Civil and Criminal Procedure Codes of British India have also been introduced as law in the State *mutatis mutandis*. I have not taken the trouble to set forth at considerable length the difficulties and inconveniences that are likely to be caused to the State as a consequence of its having had to cede a large area in the centre of the

* Vide Appendix "B" after the replies of the Wankaner, Wadhwan, Muli, Kotda Sangani, Sayla, Thanadeoli and Malia States.

State as they are not peculiar to this State alone and other States which have a similar grievance with us would have familiarised you with the grounds on which objection is taken to the policy pursued by the Government of India in this respect.

While we are on the question of railway, the Durbar would also represent that the State should be given a share of the net profits obtained by the Railway Company now and the Government of India later on by the railway being taken across the State as the State subjects contribute to the income under this head.

RADHANPUR.

There is no existing railway line within the State, but there is a Government project of connecting a broad gauge trunk line known as the Bombay Sind Connection Railway. A survey had been made so far back as 1921 but the line has not been constructed. The Baroda State is also contemplating the extension of their line from Harij to Sami. As regards jurisdiction, the Government of India have approved the proposal of the State that the jurisdiction of the State should remain over such part of the proposed line as falls in the State territory. The question of jurisdiction about the Sind Railway has not been settled, but the State is emphatically of opinion that if in future a Sind line is constructed the civil and criminal jurisdiction of the line passing in the State should remain with the State.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

In as much as the Standing Committee of the Chamber of Princes on the 20th August, 1924, has made some recommendation, the State depends much on what the Chamber through its legal adviser puts before the Committee on this head.

RAJKOT.

The railway jurisdiction, as far as I know, is considered by the Government as of Imperial necessity and we believe that the Government with Imperial consideration sometimes advises States and other private agencies to allow a particular line to run through their territory, though the said intervention may be most injurious to the State through which it passes; but such considerations which the Government have, and which are dubbed as Imperial, are not known to anybody except the Government. The States have on 20th August of 1924

jointly submitted, in the form of a resolution to the Viceroy, to cede them back the jurisdiction over lands occupied by railways passing through their States' territory. I personally cannot indite anything, for I am feeling the necessity of knowing the Government's ideas about their existing policy of taking railways in general or some particular line only, as Imperial routes; and also the Government's intentions in treating railways generally with Imperial considerations, then only I can with precision say how our railways should be treated and our jurisdiction on them be given to us. Naturally in our own rights we should like to retain what is genuinely ours, and the handing over of such jurisdiction with many alternatives suggested by the Committee, is agreeable to me.

SACHIN.

The remarks printed in Annexure A do not apply to my State as it does not own any railway or any part of a railway. But what I have to say is that lands which had been ceded by my State to the British Government for the B.B. & C.I. Railway should not be considered to be wholly outside the State's jurisdiction for purposes of arresting offenders who take refuge on this land from State territory. I should further like to draw attention to some correspondence from the Political Agent, Surat, regarding Guards of Honour in station limits. I consider the order to inform Superintendent of Police, Railways, to be very humiliating, as the station is in my limits and there should not be any objection to my sending a Guard of Honour for complimentary purposes. It has always been done and there has never been any trouble. It is very humiliating for a State to give intimation to send its men to a place which actually belongs to it. Correspondence attached.

COPY.

No. A.D.M. (P) 8.

From A. M. Macmillan, Esq., I.C.S., Political Agent, Surat, to Major His Highness Nawab Seedee Ibrahim Mahomed Yakutkhan, Mubazarat Daula Nasrat Jung Bahadur, Nawab of Sachin.

Surat,

20th February, 1924.

My Friend,

SUBJECT:—GUARDS OF HONOUR.

I am directed to state that it has been reported to Government that States frequently send Guards of Honour to railway stations in British territory, either to receive their rulers or by way of compliment, to distinguished visitors from other States, without giving any previous intimation either to the Railway Police or to any other Government official.

2. Although no difficulty has in practice arisen from this custom, it is regarded as technically incorrect, and the Government is of opinion that it would be preferable that the States should, as a matter of courtesy, give previous notice to the Superintendent of the Railway Police.

3. I have the honour therefore to request you to be so good as to notify the Railway Police authorities concerned, before detailing Guards of Honour to the platforms of railway stations in British India, either to receive the Rulers of the States to which the guards belong or by way of compliment to distinguished visitors.

I am, &c.,

A. M. MACMILLAN,

Political Agent,

Surat.

COPY.

No. 44 of 1924.

Dumas,

1st March, 1924.

From Major His Highness Nawab Seedee Ibrahim Mahomed Yakutkhan, Mubazarat Daula Nasrat Jung Bahadur, Nawab of Sachin, to A. M. Macmillan, Esq., I.C.S., Collector and Political Agent, Surat.

Your No. A.D.M. (P) 8 of 20th February, 1924.

SUBJECT:—GUARDS OF HONOUR.

My Friend,

I have the honour to inquire if the order referred to is merely for railway stations actually in British territory or also for railway stations within Indian State limits. For instance, are the stations of Vedchha, Udhna and Sachin to be considered as stations within British limits or Sachin limits, as they all three lie actually within the limits of the Sachin State.

Believe me, &c.,

IBRAHIM KHAN,

Nawab of Sachin,

Major, A.D.C.

COPY.

No. A.D.M. (P) 8.

From A. M. Macmillan, Esq., I.C.S., Political Agent, Surat, to Major His Highness Nawab Seedee Ibrahim Mahomed Yakutkhan, Mubazarat Daula Nasrat Jung Bahadur, Nawab of Sachin.

Surat,

28th June, 1924.

SUBJECT:—PROCEDURE TO BE FOLLOWED WHEN INDIAN STATES DETAIL GUARDS OF HONOURS TO PLATFORMS OF RAILWAY STATIONS IN BRITISH INDIA.

My Friend,

I am directed to state that the Government Orders communicated in this Office No. A.D.M. (P) 8, dated the 20th February, 1924, apply only to railway stations in British territory. As regards railway

stations in the territories of Indian States, such notice is not necessary but it would be convenient if, whenever possible, the Railway Police are warned in advance.

I am, &c.,

A. M. MACMILLAN,

Political Agent,

Surat.

SAWANTWADI.

There is no railway in the Sawantwadi State territory, and owing to the peculiar geographical position of the State there is no prospect of such an event in the future also. Therefore, the Sawantwadi Durbar would refrain from expressing any views on this matter and reserves its opinion on this question until the occurrence of such a contingency.

**WANKANER.
WADHWAN.
MULI.
KOTDA SANGANI.**

**SAYLA.
THANADEOLI.
MALIA.**

The question about the exercise of jurisdiction over lands requires to be dealt with in the following two aspects:—

- (1) To what extent the Railway owning States should be allowed to permanently retain the jurisdiction where they, at present, exercise it?
- (2) To what extent the retrocession of jurisdiction should be made to the States who ceded the lands for the Railway purposes?

The present summary deals with the question in its first aspect only. But a settlement of that phase of the question, without considering it in the second, would not be a complete solution. It would, therefore, be premature to ask for any remarks on the merits of the summary relating to the first aspect only without formulating a scheme on the second. If both the phases of the question are to be settled on the same lines, it is necessary that they should both be handled side by side.

*My own view is that retrocession of jurisdiction should be made to the States who have ceded the lands for the Railway purposes without receiving any compensation for the lands so ceded.

If the summary is to be considered merely from the fiscal point of view as indicated in para. 2 of the Annexure A, attached with the Questionnaire, the States urge that the exercise of jurisdiction by an authority other than the State owning the land, should be restricted to purposes of Railway administration only, so that the States owning the land should have the full and free exercise of all the fiscal rights over their railway lands. Adverting to the remark that the Government make no profit by applying to the ceded lands certain fiscal

* This paragraph is included only in the replies of Wadhwan, Sayla and Thanadeoli States

measures referred to therein, it has to be stated that Railway administration have been deriving revenues from sources not contemplated at the time when the lands were ceded. To remedy this abuse, it should be made clear that any revenue which is not the legitimate adjunct of Railway administration should be handed over by the Railway administration to the State owning the fiscal rights over the lands.

Pending the settlement of the question of the retrocession of jurisdiction over the Railway lands, it is hereby further urged that the exercise of civil and criminal jurisdiction by the Government of India over Railway lands be confined to Railway administration purposes only in conformity with the tenor of the original cession. *All excesses such as those pointed out in Appendix B should be stopped.

†NOTE.—Railway owning States may perhaps wish to consider the question of delegation of jurisdiction to themselves.

APPENDIX B.

NOTE ON RAILWAY JURISDICTION.

It will be noted that the question of jurisdiction over Railway lands in Indian State's territory has been engaging the attention of the Chamber of Princes for some years past. The question was brought before the sessions of the Chamber on 10th of February, 1923, and was entrusted to a Sub-Committee (*vide* please pp. 94 to 98 of the Proceedings of the Meetings of the Chamber of February, 1923). The question being of great importance and rather intricate is still being discussed by the Sub-Committee with the Political Department of the Government of India as reported at pp. 37-38 of the Proceedings of the Meetings of the Chamber in November, 1926. It is hoped that the whole question of Railway jurisdiction will be adequately dealt with by the Indian States Committee and a solution will be found acceptable to the States and Government alike. The question of criminal jurisdiction, over which the Sub-Committee is cogitating, is, however, more intricate than that of civil jurisdiction. This note is confined to the question of civil jurisdiction which some recent judgments of the Agency Courts have made it imperative to be dealt with separately. Before we come to the judgments above referred to we shall briefly deal with the history of the cession of civil jurisdiction over Railway lands in Kathiawar.

In 1881 the Bhavnagar State ceded its civil jurisdiction in the following words:—

“I, the undersigned, Maharaja Thakore Saheb of Bhavnagar in Kathiawar, hereby agree that all suits of a civil nature brought against the Bhavnagar-Gondal Railway respecting the loss of or damage to goods or injury to person within the limits shall be heard and decided in due course in the Kathiawar Political Agency Courts. Provided always that the Railway Manager shall represent the Railway in such suits and not the proprietary States

* This sentence is included only in the replies of Wankaner, Muli, Kotda Sangani and Malia.

† Included only in reply of Muli State.

and that any decree that may be passed shall be executed against the Railway property and not against the said proprietary States.

" Provided also that all other civil jurisdiction within the limits of those portions of the Railway which pass through my territory shall continue and be exercised as heretofore by this State."

In 1886 the Junagadh State ceded civil jurisdiction in the following words:—

" 3. His Highness the Nawab Bahadurkhanji Mohabatkhanji of Junagadh also agrees that all suits of a civil nature brought against the Junagadh State Railway respecting the loss of or damage to goods, or injury to person within the Railway limits and cases of a civil nature arising out of the application of the Railway Act over the said limits shall be heard and decided in due course in the Kathiawar Political Agency Courts.

" 4. Provided always that the Railway Manager shall represent the Railway in such suits and not the proprietary State of Junagadh, and that any decree that may be passed shall be executed against the Railway property and not against the proprietary State of Junagadh.

" 5. Provided also that all other civil jurisdiction within the limits of the said Junagadh Railway shall continue and be exercised as heretofore by the Junagadh State."

In 1887 His Highness the Jam Saheb ceded jurisdiction in the following words:—

" I hereby agree on behalf of myself and my successors, to agree to delegate to the British Government my full civil and criminal jurisdiction short of sovereign rights over the proposed Railway line between Dhoraji and Porbandar and over any additions that may hereafter be made to the line in my territory."

Gondal and Porbandar ceded their jurisdictions by similar agreements.

In slightly different wordings Wadhwan, Muli, Sayla, Lakhtar, Wankaner and Morvi ceded their jurisdictions over the lands taken up for the Morvi State Railway; so also did Dhrol, Kotharia, Gavaridad and Rajkot in 1888. Other States in Kathiawar also have from time to time ceded their jurisdiction to the Government over their lands situated in Railway limits. There is hardly any State of any importance in Kathiawar that has not ceded its jurisdiction to Government over its lands taken up for Railway purposes. Though sometimes the agreements were loosely worded the cession of jurisdiction has always been believed by the States as for Railway purposes only.

It will be remembered that Jurisdiction was ceded in the last century to the Agency for purposes of convenience, efficiency and uniformity and with this object agreements were entered into with those States and Talukas through which Railway Lines passed. It is evident that the Agency Courts hold only delegated authority for purposes strictly connected with Railway Administration. It is ultra vires to exceed that authority and execute transferred decrees from British India which to be valid must be secured by the consent of the delegating authority. On the principle of reciprocity, State Courts and British

India Courts cannot mutually execute decrees unless and until States concerned and the Government of India have by mutual consent entered into such agreements. By parity of reasoning, Agency Courts while exercising Railway Jurisdiction are State Courts holding delegated authority and further power of executing transferred decrees can be acquired only by the consent of States concerned and the Government of India.

This belief of the States was strongly supported by the decision of Their Lordships of the Privy Council who decided in the case of "Mahammad Yusuf-ud-din v. the Queen Empress," that "in spite of the cession of full civil and criminal jurisdiction the Railway territory has never become part of British India, and is still part of the Nizam." They said "It is not suggested that the particular offence charged was committed on the Railway, or that it was in any way connected with the administration of the Railway. What is suggested is that in another part of India (at Simla) an offence was committed in British territory and because the appellant was physically present on a portion of that line of Railway over which jurisdiction is given for the purpose of criminal and civil jurisdiction, he was open to criminal procedure for an offence committed elsewhere. Their Lordships are of opinion that there is no foundation for any such claim, &c." (*vide* I.L.R. 25 Calcutta, p. 20 at p. 33).

The States had therefore always believed that the jurisdiction was ceded for Railway purposes only. Recently, however, the Agency Courts have passed orders which are in direct conflict with the belief of the States, their rights and the above quoted decision of the Privy Council.

In the matter of Execution application No. 57 of 1926, the Civil Subordinate Judge of Kathiawar, passed the following order:—

"To the Station Master, Wankaner,

"Whereas the plaintiff named has filed an execution application to recover Rs. 97/— from the defendants *you are hereby ordered to attach any consignment that may be booked from or received at your Station* in the name of the defendants or in the name of Bhaichand Kamalshi. The goods so attached will be sold by public auction and the sale proceeds held in deposit by this court for payment to the decree holder. (2) Intimation for attachment of goods may be given to this office."

The decree thus sought to be executed was not the decree of the Subordinate Judge of Kathiawar, but of the Small Causes Court of Bombay. The learned Subordinate Judge ordered the execution of a transferred decree by the Wankaner Station Master by attachment of property which may or may not be within his possession at the time of the receipt of the order. The Wankaner Station Master was thus sought to be made a bailiff of the court for attachment of property, which power it is submitted, he cannot exercise.

In another case (Small Cause No. 67 of 1926) the Rajkot Station Master was ordered to stop delivery of 117 bags of ginger to the defendant in the case or to anybody else.

In a Third case (S.C. No. 538 of 1927) an order was issued by the Sub-Judge for attaching 50 bags of potatoes out of a consignment of 151 bags at the instance of a creditor of the consignor who had consigned it to self, but endorsed the consignment for delivery to a third party. The third party came forward to take delivery of the whole consignment on the authority of the endorsement on the Railway Receipt, but delivery of 50 bags had to be refused on account of the Court's order.

In a Fourth case (Ex. app. No. 323 of 1927) an order was passed for issuing a warrant of arrest of the Judgment debtor executable at Rajkot junction, Rajkot Civil Station and *all Stations on the Morvi Railway*, the Court admitting in the body of the order that neither the debtor's person nor his property were then in the jurisdiction of the Court. (*Fide* copy of the order App. B.1.)

In the Fifth case judgment in which is attached herewith (App. B/2) the learned Judicial Commissioner reversed the order of the lower court who had dismissed the execution application holding "that the debtor resides in the territory of Jamnagar State and has no property within the jurisdiction of this court."

It is submitted that the decision of the learned Sub-Judge was correct.

In Kathiawar the law relating to the execution of outside decrees transferred for execution of Kathiawar courts was expounded by Mr. H. D. Rendall, the then Judicial Assistant in a case reported in 20 Kathiawar Law Reports pp. 4-9.

In that case a decree of the Bombay High Court was sought to be executed in the Agency area and warrants of arresting them had been issued although the defendants were not residing within the Agency jurisdiction. In setting aside the order Mr. Rendall said:—

"In my opinion the record does not show or imply that the Bombay High Court directed such warrants to be issued or authorized their issue; and unless that be proved by evidence or unless the appellants are proved to be residing in Paliad now, or unless an order be obtained from the High Court under Section 39 (d) on the ground that appellants are roving residents evading execution, I believe that the Lower Court's order is without jurisdiction and therefore wholly void."

The above dictum of Mr. Rendall continued to be followed in Kathiawar and apparently in the case which went up in revision to Mr. Murphy the present Judicial Commissioner, the learned Subordinate Judge accepted that dictum as correct; the learned Judicial Commissioner, however, reversed that decision and held *prima facie*, therefore, the Sub-Judge had power to execute the decree. Though he does not quote it, his order is reminiscent of Section 39, but that section of Civil Procedure Code regulates the procedure of the court which passed the decree and not that of the executing court and the decree was presumably sent for execution under Section 39 (clause d)" (Copy of the judgment is herewith attached and Marked B/2.)

It is submitted that the decision of the learned Judicial Commissioner is not correct. There could be no presumption of a decree

having been transferred under Section 39 (clause d). That section runs as follows:—

“ 39—(1) The Court which passed a decree may, on the application of the decree-holder, send it for execution to another court—

“ (a) If the person against whom the decree is passed actually and voluntarily resides or carries on business, or personally works for gain, within the local limits of the jurisdiction of such other courts, or

“ (b) If such person has not property within the local limits of the jurisdiction of the Court which passed the decree sufficient to satisfy such decree and has property within the local limits of the jurisdiction of such other court, or

“ (c) If the decree directs the sale or delivery of immovable property, situate outside the local limits of the jurisdiction of the Court which passed it, or

“ (d) *If the Court which passed the decree considers for any other reason, which it shall record in writing, that the decree should be executed by such other Court,*”

It is submitted that the ruling that it may be presumed that the decree was sent for execution under clause (d) is erroneous. Presumption of the application of an exceptional clause like clause (d) which requires *reasons to be recorded in writing* is wholly contrary to the spirit of Section 39 and its other clauses. Clause (d) is apparently meant only for persons evading arrest as Mr. Rendall has laid down in his judgment. It cannot possibly have been meant for persons not residing within the jurisdiction of the executing court. To issue warrants for arrest of persons not residing within the Railway jurisdiction, but meant as catch traps for arresting people who may sometime happen to pass on the Railway Line is rather disquieting, to put it mildest. The States never ceded jurisdiction for such purposes. Besides that the question of executing decrees transferred from outside the Kathiawar Political Agency Courts is not a question of merely the exercise of civil and criminal jurisdiction. It is a question of sovereign rights. If to-day decrees of the Bombay Small Causes Court or Bombay High Court may be executed within Railway limits of lands belonging to Indian States and which as Their Lordships of the Privy Council have laid down is “territory on which the railway is locally built, part of the dominion of the Indian States” to-morrow decrees of other states and other courts also may be transferred and made executable on our Railway lands without any reference to the States whose jurisdiction is thus being encroached upon.

The learned Judicial Commissioner has laid some stress on the Notification of the Government of India but such wordings of the Notification cannot give powers which are not ceded by the States. Once more, to quote Their Lordships. “It is important to observe that the Notification upon which the learned Judges in India appeared to have relied could itself give no such authority. Even if in more extensive terms than in fact are included in the Notification it had purported to give jurisdiction, as the stream can rise no higher than its source, that Notification can only give authority to the extent to

which the sovereign of that territory has permitted the British Government to make that Notification " (25 Cal. at p. 31).

The interpretation put by the learned Judicial Commissioner is, it is submitted, not correct, as it militates against the decision of the highest tribunal in the Empire.

As the sole purpose of the cession of jurisdiction was to vest one Central authority with Civil and Criminal jurisdiction over Railway limits and for Railway purposes, it is clear that that jurisdiction cannot be extended beyond its legitimate sphere and it is submitted that orders should be issued restricting the territorial and personal jurisdiction strictly to Railway limits and to Railway purposes that are strictly such, thus excluding execution of transferred decrees and adjudication of causes arising beyond Railway limits and also of causes not connected with Railway working.

APPENDIX B/1.

IN THE COURT OF CIVIL JUDGE, KATHIAWAR.

Civil Execution Application No. 353 of 1927.

ORDER.

Mr. Chinoy said in the course of his address that he did not think that the Darkhast was time barred. He only pressed his request to be allowed about a month's time to move the Bombay High Court whose decree is in the present case sought to be executed for an order to cancel the order transferring the decree to this Court for execution. Mr. Shroff opposed the request and urged that if time is given security should be taken. *I would have demanded security if the debtor's person or property were just now in the jurisdiction of this Court. But as it is not so I allow the debtor time up to the 15th January, 1928, and also direct that if this Court receives by then no intimation from the transferring High Court cancelling the transference order, execution will issue on that day. The warrants of arrest will relate only to Rajkot Civil Station, Rajkot Junction, and all stations on the Morvi Railway.*

H. N. GOSALIA.

Civil Sub-Judge, Kathiawar.

APPENDIX B/2.

IN THE COURT OF JUDICIAL COMMISSIONER, WESTERN INDIA STATES AGENCY.

Civil Revision No. 20 of 1927.

Prabhudas Mohanlal & Co., Bombay, Applicant.

v.

Bharmal Kachra of Nawagam, under Jamnagar, Respondent.

The applicant has a decree of the Small Cause Court, Bombay, for Rs. 731 against the opponent which has been transferred for execution to the court of Sub-Judge, Kathiawar.

On an application for execution being made, the learned Sub-Judge dismissed it holding that the debtor resides in the territory of Jamnagar State and has no property within the jurisdiction of this Court and that therefore no warrant can be executed against him.

But the decree-holder's case was that though the judgment-debtor resides within Jamnagar State and has no property within the Sub-Judge Court's jurisdiction, he frequents the Railway lands, over which the Sub-Judge does exercise jurisdiction and he accordingly sought execution by judgment-debtor's arrest and detention in Civil Jail.

Under Notification No. 483, of 3rd October, 1924, the Governor General in Council exercises full and exclusive jurisdiction over the Railway lands at Rajkot and by Notification No. 487 of the same date, applying the Civil Procedure Code to the said lands; Item No. 24 (3), any decree passed by a Civil Court in British India . . . may if it cannot be executed within the jurisdiction of any Court by which it was passed, be executed in the manner herein provided within the jurisdiction of any Court in the Railway limits.

Prima facie therefore, the Sub-Judge had power to execute the decree. Though he does not quote it, his order "is reminiscent of Section 39, but that Section of Civil Procedure Code regulates the procedure of the Court which passed the decree and not that of the executing Court and the decree was presumably sent for execution under Section 39, clause (d) If the judgment-debtor has any grievance on this point he must apply to the Court which passed the decree.

I think the Sub-Judge had power to execute the decree and has mistakenly concluded he could not and dismissed the application.

I set aside his order and direct that the execution application in question be restored and disposed of according to law.

Applicant to have his cost of this proceeding from opponent who will pay his own. The facts in application No. 21 of 27 are exactly similar and the order as to cost is also the same. 30.10.27.

S. J. MURPHY,
Judicial Commissioner,
Western India States Agency.

AKALKOT.

So far as Akalkot State is concerned it is neither the owner nor has it any interest in the working of the Railways (G.I.P.R. & M.S.M.R.) which pass through its territory. But Government may be pleased to retrocede plenary jurisdiction and for the purposes of control of crime trains running or otherwise should be constituted British territory. A joint Railway Police working under the orders of a British Officer should be created and mutual execution of decrees between the Courts of British India and the States should be brought about. In any event the State's interests over the Railway lines should be safeguarded.

AUNDH.

The jurisdiction over lands acquired for Railways and irrigation purposes is at present taken up by the British Government, which is not at all desirable. It is necessary that the jurisdiction already taken up over the lands for these purposes should be restored to the State. If any Railways or Irrigation works are undertaken in future by the British Government the jurisdiction over the area in the State that may be acquired for these purposes should remain with the State and the construction of these works should be undertaken, so as to safeguard the interests of the State in every way.

BHOR.

There is no railway in the State territory and hence this State has nothing to say about this question.

MIRAJ (Senior).

The subject of railways is important. It involves:—

(a) The question of lands taken up for the railways includes the payment of compensation for acquiring them from their old holders and payment to the State for the loss of assessment on such lands each year, that assessment would be such as would be leviable on lands which are converted to non-agricultural purposes and the legal fine leviable under the Land Revenue Code. Full value of these items will be due to the State. For the State has paid the full compensation from its own Treasury. The lands have been transferred to the Government; they have transferred them to the Company. All the benefits accrue to Government and the State has had to pay for them; that is certainly unfair, and I say so now because I am given an assurance that I am permitted to do so. There was a time when I could not say as much.

(b) Though my State has quietly paid the compensation and written off the assessment without being reimbursed I get no share, however small, of the proportionate profits out of the proceeds. Such a claim would only be a reasonable one and may be considered on the basis of the length of the railway line occupying the State lands.

(c) Lastly, the question of jurisdiction over the railway line passing through the State. Here again the Political Department have given a pressing advice to the State to cede its jurisdiction on all land occupied by the Railway Company within the State. What that advice meant need not be explained. In addition to the losses above mentioned comes this loss of jurisdiction. It was ceded quietly and without a protest. Such an attitude on the part of the State would be a matter for a sympathetic consideration of its claims; and not as one the State was bound to adopt towards the

Imperial Government. The unfairness of it is such as deserves full sympathy for the State. Both the Railway Company as well as Government have obtained the whole property free, to which they were not entitled. The concern is a productive one and the State ought to share in the profits. But the State does not get any. No concessions even are allowed to it.

I believe it would not be improper to place all these facts before the Committee for their consideration along with the question of the re-transfer of the State jurisdiction over the State lands under the Railway. This covers the Revenue, Criminal and Judicial Departments. The lands have been given for railway purposes only. The Railway, however, realises revenues from items unconnected with the Railway. In Criminal matters the jurisdiction is exercised by the Government Police and the Magistracy. The State authorities are not respected. The Railway Police might prepare cases and investigate railway offences to protect the Railway interests; but further proceedings may be handed over to the State Police and Magistracy without difficulty. Both authorities in the State are capable of dealing with them. There would be no difficulty or fear of failure of justice.

Most of the above principles would apply to lands that may be acquired by Government for irrigation. In 1883 certain lands of this State were taken by Government for Irrigation Works; Rs. 1194 are being paid annually to the State on this account (page 190 Aitchison's Treaties, Vol. VII); no such lands have been taken since. That point may, therefore, be passed over. The States shall further have full powers of control and rights over any treasure trove or valuable minerals found or discovered in such lands.

SAVANUR.

With regard to Railways, my opinion is that the ownership of land acquired for the Railway should vest with the State and when no longer required it should revert to the State. Regarding the Railway jurisdiction, a sub-committee of the Chamber of Princes has already submitted a lengthy report to Government and I have nothing to add to it.

VADIA AND VIRPUR.

The question of jurisdiction over the lands ceded by the States for Railway purposes has, of late, been receiving the serious attention of the Chamber of Princes and the Government of India. It is clear that jurisdiction was ceded in the last century to the Agency for purposes of convenience, efficiency and uniformity and, with this object in view, agreements were made with such of the States, this State included, and Talukas through whose territories the Railway lines have passed. The State claims that the civil and criminal jurisdiction ceded by it over its lands given for Railway purposes should now be retroceded by the Government. The State, it may be noted, enjoys full civil and criminal jurisdiction of a Third Class State in Kathiawar and

possesses a judiciary which could be relied on. The satisfactory judicial arrangements in the State justify the handing back of the jurisdiction taken away from this State. It is high time that the Government should meet the wishes of the State as it can justly claim to retain and exercise jurisdiction over the ceded portions of the territory under the circumstances which have now disappeared. It is also evident that the Agency courts hold delegated authority for purposes strictly connected with Railway administration. Exceeding the scope of their authority, these courts always and invariably execute decrees from British India, which, to be valid, must be executed by the consent of the delegating authority, viz., the States concerned. On principle of reciprocity also, State Courts and British Indian Courts cannot mutually execute decrees unless and until States concerned and Government of India have, by mutual consent, entered into such agreements. And as Agency courts, while exercising Railway jurisdiction, are State courts holding delegated authority, power of executing transferred decrees can be acquired only by consent of the States concerned and Government of India. The States have always believed that they have ceded their jurisdiction for Railway purposes only. The Agency courts have given decisions in direct conflict with the belief of the States and their inherent rights. Again the lands ceded by States for Railway purposes did not become "foreign territory" for fiscal purposes, i.e., cease to be State territory. In any case, there is not the least difficulty in immediate retrocession of the *civil jurisdiction* to the States over ceded lands as it would avoid unnecessary heart-burning and spare the State the loss it has till now suffered for no valid reasons.

This question of retrocession of criminal jurisdiction may, if necessary be kept pending and considered along with the representations of the States of India concerned. The State adds that the cession of complete jurisdiction—criminal jurisdiction and not only with regard to offences relating to post, &c., or strictly Railway matters, as well as of civil jurisdiction—has led not only to the weakening of the States' political authority but also economic losses, contrary to the provisions of the Railway Act and lands ceded by the States have been used for non-Railway purposes, such as giving of Ijaras, the revenues whereof should naturally and necessarily go to the State possessing inherent, sovereign revenue jurisdiction. The Revenue rights over ceded lands had been left untouched by the Government. This has been more than once affirmed by the Government and yet in practice one distinctly finds the Railway Authorities to arrogate and appropriate as many of such rights over the ceded territories as possible against the revenue interests of the States concerned. The Railway Companies or proprietors, backed by the authority of the Paramount Power, have not infrequently taken an attitude greatly detrimental to the interests of the States. Not only this but apart from the indirect financial disadvantages from which the States suffer, the complete exclusion of every consideration affecting Indian States from the counsel of the Government of India in Railway matters, has inflicted on them indirect disadvantages which are by no means intangible. And it is undisputed, that the concession was obtained from them without any equivalent and it is therefore in the nature of a pure deprivation.

The State further submits that even if the Committee thinks that in respect of the existing lines on which criminal jurisdiction has already been acquired, it need not or could not be retroceded, but may be delegated, the Government reserving in its own hands, if necessity can be shown, a *modicum* of jurisdiction which should be the irreducible minimum that is absolutely necessary to attain the object commonly desired by them and the States concerned, viz., the efficient working of the Railways and complete control of crime and to make any general Police arrangement it finds necessary in the interest of the efficiency of the Railway Administration, it may do so and recommend any reasonable adjustment it deems fit on that basis. But the State urges that in so far as the question of retrocession of civil jurisdiction is concerned, its right to claim such retrocession is clear and it should not, therefore, be withheld from it any longer.

LAKHTAR.

The question of jurisdiction over the lands ceded by the States for Railway purposes has, of late, been receiving the serious attention of the Chamber of Princes and the Government of India. It is clear that jurisdiction was ceded in the last century to the Agency for purposes of convenience, efficiency and uniformity and, with this object in view, agreements were made with such of the States, the Lakhtar State included, and Talukas through whose territories the Railway Lines have passed. The State claims that the civil and criminal jurisdiction ceded by it over its lands given for Railway purposes should now be retroceded by the Government, as the State enjoys full civil and criminal jurisdiction and possesses a judiciary which could be relied on. The satisfactory judicial arrangements in the State justify the handing back of the full jurisdiction taken away from the State. It is high time that the Government should meet the wishes of the State as it can justly claim to retain and exercise jurisdiction over the ceded portions of its territory under the circumstances which have now disappeared. It is also evident that the Agency courts hold delegated authority for purposes strictly connected with Railway Administration. Exceeding the scope of their authority, these courts always and invariably execute decrees from British India which, to be valid, must be executed by the consent of the delegating authority, viz., the States concerned. On principle of reciprocity also, State Courts and British Indian Courts cannot mutually execute decrees unless and until States concerned and Government of India have, by mutual consent, entered into such agreements. And as Agency Courts, while exercising Railway Jurisdiction, are State Courts holding delegated authority, power of executing transferred decrees can be acquired only by consent of the States concerned and Government of India. The States have always believed that they have ceded their jurisdiction for Railway purposes only. But Agency courts have given decisions in direct conflict with the belief of the States and their inherent rights. Again, the lands ceded by States for Railway purposes did not become "Foreign Territory" for fiscal purposes, i.e., cease to be State territory. In any case, there is not

the least difficulty in immediate retrocession of the *civil jurisdiction* to the States over its ceded lands as it would avoid unnecessary heart-burnings and spare the State the loss which it has till now suffered for no valid reasons.

This question of retrocession of criminal jurisdiction may, if necessary, be kept pending and considered along with the representations of the other States of India concerned. The State adds that the cession of complete jurisdiction—criminal jurisdiction and not only with regard to offences relating to post, &c., or strictly Railway matters, as well as of civil jurisdiction—has led not only to the weakening of the States' political authority but also to economic losses contrary to the provisions of the Railway Act and lands ceded by the States have been used for non-railway purposes, such as giving of Ijaras (farms) and such other acts, revenues whereof should go to the States in virtue of their sovereign and revenue rights with which they have not parted or they are not ceded admittedly. Such rights, as have been affirmed more than once, are not affected by cession of States' territories for Railway purposes only. But it is a fact that these rights are not only not respected by the Railway Authorities and Courts exercising jurisdiction, but are, on the contrary, openly and unreasonably infringed and appropriated to the detriment of the States concerned. The Railway Companies or proprietors backed by the authority of the Paramount Power, have not infrequently taken up an attitude greatly detrimental to the interests of the States. Not only this but apart from the indirect financial disadvantage from which the States suffer, the complete exclusion of every consideration affecting Indian States from the Counsels of the Government of India in Railway matters, has inflicted on them indirect disadvantages which are by no means intangible. And it is undisputed, that the concession was obtained from them without any equivalent and it is therefore in the nature of a pure deprivation.

It further submits that even if the Committee thinks that in respect of the existing lines on which criminal jurisdiction has already been acquired it need not or could not be retroceded but may be delegated, the Government reserving in its own hands, if necessity can be shown a *modicum* of jurisdiction which should be the irreducible minimum that is absolutely necessary to attain the object commonly desired by them and the States concerned, viz., the efficient working of Railway and complete control of crime, and to make any general police arrangement it finds necessary in the interest of the efficiency and uniformity of the Railway Administration, it may do so and recommend any reasonable adjustment it deems fit on that basis. But the State urges that in so far as the question of retrocession of civil jurisdiction is concerned, its right to claim such retrocession is clear and it should not therefore be withheld from it any longer.

THARAD.

No Railway passes through the limits of the State, but as the question is regarding the Policy of Government which may affect this State when a new line is constructed, the following remarks are submitted :—

As regards para. 3 (i) of the Annexure A it may be remarked that the question as to who owns a Railway line lying within a State or the absence of the State's financial interest in such a line should make no difference to the exercise of Jurisdiction by the State more specially in the case of lines which are not important through routes and are not operated by Government.

The objections that may be urged against the proposed policy are, that frequent breaks of Jurisdiction (which would be involved in the Trunk lines passing through different administrations) are on principle undesirable, that unity of control is essential for an organisation like a Railway System, that investigation and detection of crimes will be impossible in the absence of a compact body of Police and that in the case of crimes committed on running trains, prosecutions are likely to fail for want of Jurisdiction on account of difficulty in determining the proper forum, &c. But these difficulties can be avoided by adopting the following remedies:—

- (i) By constituting trains when once started on a journey, or are waiting to resume a journey, or are being marshalled to start a journey, as British territory, and
- (ii) By having an Interstatal Police or Joint Police subject to the control of a British Officer. The powers that are necessary for this officer in order to secure best results can be delegated by the State.

In the opinion of this State, after necessary amendment in the present law, there would be nothing to prevent retrocession of Criminal Jurisdiction to the States.

As regards the frequent breaks of Jurisdiction, it may be remarked that so long as the laws applied are the same or uniform there would be no break. If the Judicial Officers are properly qualified in applying the rules it matters little whether they are servants of one Government or the other. At present within certain States, there are many enclaves of British Territory comprised of cantonments and Political Agencies. When different laws are being applied in such close proximities and the system is working very well, the proposed retrocession of Jurisdiction will make the areas administered by common laws far wider.

As regards Civil and Fiscal Jurisdiction it may be remarked that in the lands ceded to Government for purely railway purposes the territory ceded does not form "Foreign territory" for fiscal purposes and it is but just, that such lands should be administered by Fiscal laws of the State.

Against the retrocession of Civil Jurisdiction the objection that may be made is that the authority exercising Civil powers must have power to punish and enforce the decrees, and unless the Government be pleased to retrocede Criminal Jurisdiction, the exercise of Civil Jurisdiction by the States would be futile. But this apprehension need not be entertained. The knowledge of the Railway Staff that they are subject to civil laws of a State would be a powerful antidote against their taking up the position of contumacy or recalcitrancy. This applies to the adjudication of mutual claims and liabilities of individuals when both or all of whom reside within the Jurisdiction of a given State.

The other point is as regards claims against the Railway Companies. The decrees in such cases can be executed through British Indian Courts if reciprocity in the matter of execution of decrees be established between the concerned States and the British Government.

It is therefore submitted that the Government of India may be pleased (1) to retrocede plenary Jurisdiction to the State on all lines not excluding through Trunk lines (2) to constitute running trains as British territory for the purpose of control of crime (3) to have the necessary amendments in the existing laws made (4) to have Joint Railway Police and (5) to effect arrangement for the reciprocal execution of Civil Decrees.

If the above suggestions be not approved, Government may be pleased to adopt the remedies given below:—

- (a) In respect of the existing lines on which Jurisdiction has been already acquired by the Government, it need not be retroceded but may be delegated to the Durbars, the Government reserving in their own hands, if necessity can be shown, a modicum of Jurisdiction which should be the irreducible minimum that is absolutely necessary to attain the object commonly desired by them and the States concerned, viz., the efficient working of Railways and the complete control of crime.
- (b) In respect of future lines, subject to the relaxation of the policy already sanctioned by Government, that is, in respect of through Trunk routes, the Government may still follow the tradition of the past, viz., continue to acquire plenary Jurisdiction; and having acquired it, they should refrain from exercising it themselves beyond the unavoidable limit, recon-
ferring as a matter of formality the rest back upon the States.

This reply is without prejudice to any further point that may hereafter arise.

BHADARWA.

No Railway passes through this State limit at present but in future if we get by chance this advantage of railway being opened, the question of jurisdiction may arise and then it would be justifiable that my State would exercise jurisdiction over the railway that may pass through my State limit.

SONPUR.

As to jurisdiction over railway it is brought to the notice of the Indian States Committee that long ago when the Chamber of Princes were not organised and in future expectation of introduction of a railway line in the Sonpur State the Government addressed a letter to the Ruler of Sonpur in 1898; the then Ruler of Sonpur wrote to the Government in clear terms what conditions should be agreed upon between the State and the railway company. That acquisition of land and similar other things should be done properly by the railway company in consultation with the Ruler was insisted upon and that matter

being simple is not mentioned here. It was then urged and is still urged that the State must have jurisdiction over all disputes and offences occurring on the railway line falling inside the area of the Sonpur State.

PIPLODA.

The summary regarding jurisdiction over lands occupied by railways in the States as amended by the Standing Committee of the Chamber of Princes on the 20th August, 1924, will serve the purpose in view, at least to begin with. Further concessions will be claimable when the States do deserve them.

DUJANA.

Ferozepur Railway line passes through the Dujana State territory for about three miles only with no railway station within it. There is no use claiming for retrocession of jurisdiction for such a small area. If, however, any new line is constructed which passes through the State territory, the Dujana State would abide by the treatment meted out to other Indian States in pursuance of the general policy of the Government of India in this respect. Generally speaking the Council is of opinion that frequent changes of jurisdiction over railway lines would be a source of innumerable difficulties for the administration of the lands under them.

MADRAS GOVERNMENT.

The Civil and criminal jurisdiction over railway lands in Indian States adjoining the Madras Presidency is exercised by the Madras Government. Such lands in Travancore are treated as part of the Tinnevely district and those in the Cochin State as part of Malabar district for the purpose of the administration of justice. It is proposed to treat railway lands in Pudukkottah and Sandur as parts of Trichinopoly and Bellary districts respectively. The laws in force in these districts are applied to these lands in so far as they relate to the administration of justice. So far as the Madras Government are concerned, there is no objection to the exercise by the Durbars concerned, of jurisdiction over the railway lands in their respective States. Under what limitations this should be allowed is a matter for the Government of India.

One difficulty has arisen in connection with the administration of railway lands in Travancore. When the South Indian Railway administration who are working this railway wanted an encroacher on the railway land lying within the State to be evicted, the Travancore Durbar stated that they had ceded all kinds of jurisdiction over the railway lands to the Government of India and that they are therefore powerless to take action. The Advocate-General, Madras, on the

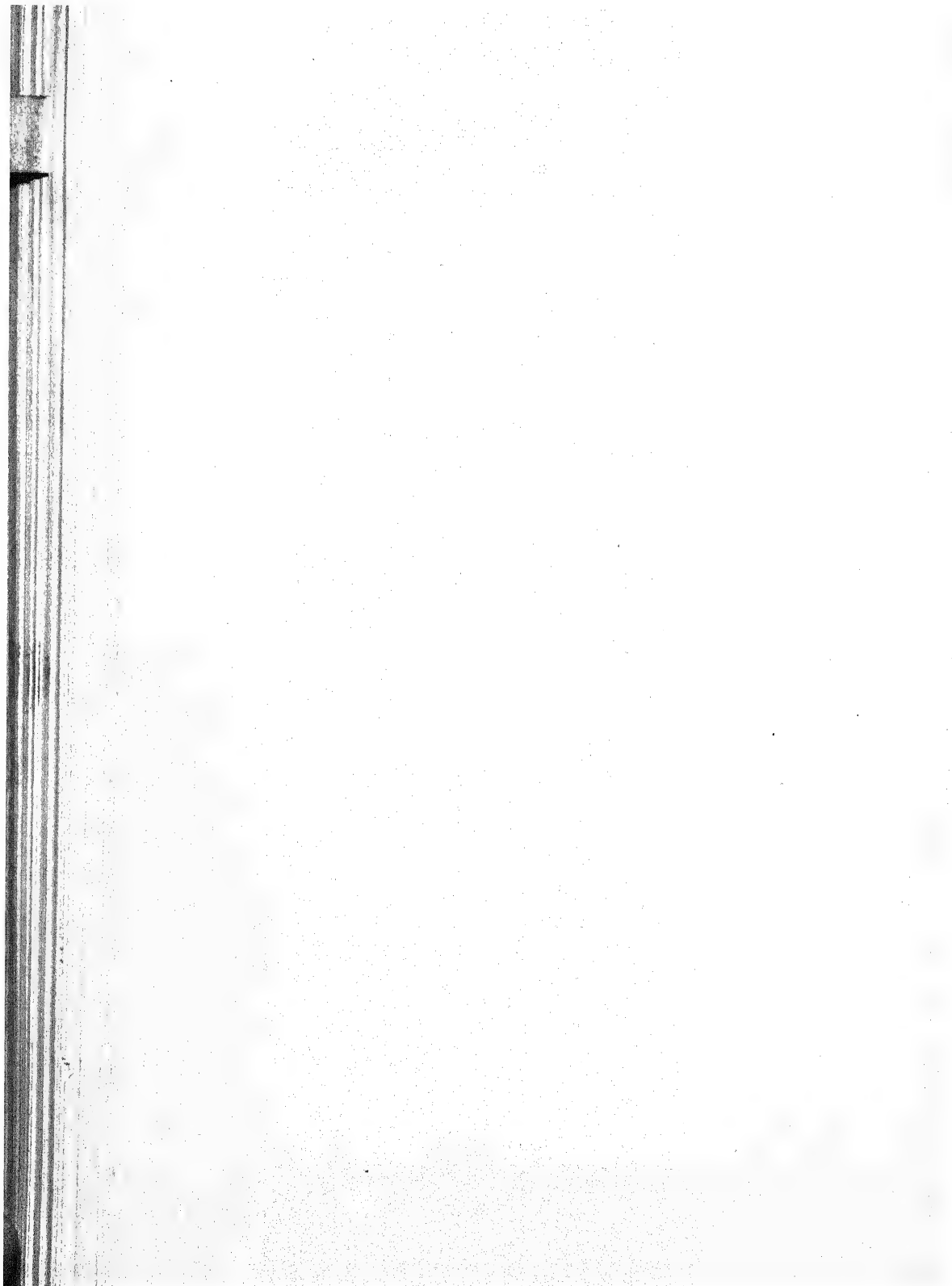
other hand, has advised that as jurisdiction conferred on the Government of India was of a limited character, the railway lands lying in the State cannot be treated as British territory and that the provisions of the Madras Land Encroachment Act, 1905, cannot be applied for eviction of the encroacher. The procedure to be adopted for evicting encroachers in such cases has therefore to be placed on a more definite and satisfactory footing.

As regards the control of the smuggling of opium, &c., through railways, no case of difficulty in this direction having so far come to the notice of the Madras Government, they do not press for any special measures to deal with such cases.

**JHALAWAR.
BARWANI.
SAMTHAR.
BANSDA.
SANGLI.**

**PHALTAN.
JAMKHANDI.
RAMDURG.
KURUNDWAD (Senior).**

These States indicated that they had nothing to add to the summary regarding jurisdiction over lands occupied by railways in their territories, as amended by the Standing Committee of the Chamber of Princes on the 20th August, 1924, but the Phaltan State reserves to itself the right of further representation in regard to any points which may arise in future.



SECTION III

MINTS AND CURRENCY

FOR OFFICIAL USE

MINTS AND CURRENCY

Summary of Replies Received

To paragraph 7 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

*Extract from the questionnaire issued by the Indian States
Committee.*

MINTS and CURRENCY.

7. Are there any considerations relative to this question which the States would like to bring before the Committee?

HYDERABAD.

His Exalted Highness the Nizam's Government has its own Mint, its own currency both in coin and paper, and can float its own loans. They are regulated by Acts of legislature similar to those in force in British India. All that the Nizam's Government desires is that it will be supported by the Government of India in every measure that secures the permanency and stability of its currency in competition with any other.

BARODA.

Owing to the stopping of free coinage of British rupees, Baroda has agreed to adopt British currency for a period of 50 years from 1900 A.D. It is reasonable that Baroda should be given a fair share of the profits from currency accruing to the British Government from the currency transactions in the State.

MYSORE.

The Government of His Highness the Maharaja have no objection to continue to adopt the British India coinage, but would urge that the profits on coinage, including the interest on the currency reserves, in so far as they are utilised for revenue purposes, and on the gold standard reserve, should be treated as an item of Imperial revenue in which the States should, directly or indirectly, be entitled to a share. They would further urge that radical alterations should not be made in the value of the currency without their being consulted. The Government of His Highness the Maharaja receive part of the royalties on gold, payments for electric power by the Gold Mining Companies, payments for sandalwood oil, and one or two other items of revenue in sterling in London, and they reckon that the fixing of the rupee at 1s. 6d. involved them in an annual loss of about nine lakhs of rupees.

INDORE.

Attention is invited in this connection to what is stated in para. 5 (a) (9) (copy below). On the ground stated there, the State would ask that the existing arrangement be revised, as it came to be introduced in total disregard of the settlement arrived at in 1821. It is urged that the State should have the option of re-opening its Mint for the coinage of silver; and that the State's rupee should be taken by the British Government at par with the British rupee provided its bullion value is identical with that of the British rupee.

Para. 5 (a) (9).

There have been instances in this State, as there may be in other States, of measures being introduced during minority, which have permanently harmed the rights of the State. The abolition of the State's Postal System and the closure of the Military Workshop and Mint are some of these instances. The British Government has, no doubt, recently laid down certain principles for the guidance of their officers which would prevent such happenings in future. But to remedy the grievances thoroughly, there is the need of reconsidering measures introduced in the past and to afford such reliefs as the nature of the case may require.

KOLHAPUR.

Another example of a similar unwarranted interference by Government with the economic and financial rights of this State is its order withdrawing from use the currency of the State in 1868 when again the State was under the management of Government. As in other cases, here too the State had never conceded its right of having its own coinage in the State. In a case of the adoption of a Feudatory Jahagirdar of the Kolhapur Durbar, the Government gave the sanction for adoption on condition that the Jahagirdar prohibited the use of the Durbar's coins in his Jahagir. The right of sanctioning adoptions in such cases admittedly belongs to His Highness. It is curious to see the Government, exercising that power as the guardian of the Maharaja, prohibiting the use of the Maharaja's own coins as a condition precedent to the sanction being given. It is needless to prove that this action of the Government in depriving the Kolhapur State of its right of minting its own coins and legalising their use in the State was an attack on the Durbar's right without the assent, express or implied, of its Ruler, and was taken at a time when the Ruler was a minor and the Government was in duty bound as the guardian to watch and maintain his rights scrupulously. The financial loss resulting from the prohibition to the State of its own currency is also obvious. The action was further most detrimental to the prestige of His Highness as a Ruler in India, to whom the right of minting coins is an essential ingredient of rulership. And be it remembered that no attempt was made to give to this Act violating the Ruler's privileges even a semblance of legality by means of either a Treaty or an Agreement. The only possible remedy would be for the Government to allow the State to share the profits derived by the Government of India from its currency policy in proportion to the population and importance of the State.

TRAVANCORE.

Travancore has her own mint and currency and in the circumstances has no remarks to offer upon this point.

COCHIN.

Cochin may concur with Mysore regarding profits on coinage including the interest on currency reserves in so far as they are utilised for revenue purposes and the gold standard reserve. These should be treated as imperial revenues in which the States should be entitled to share.

JODHPUR.

TRIPURA.

It should be at the option of the States to reopen their mints, if they so desire. The policy of Government of encouraging a universal currency does not necessarily involve the introduction of the British rupee in the States. The same object could have been attained by coining States silver into rupees at par with the British coin, and thus allowing the States the profit to which they are legitimately entitled.

BANSWARA.

Coinage is a symbol of sovereignty, and by Article 4 of the Banswara Treaty His Highness' absolute sovereignty over his State was preserved intact. In the last century the State coined its own rupees. The Lachhman Sahi rupee was the coin. But when the Government of India closed the mint to free coinage and controlled currency operations at the end of the last century, the State currency depreciated, and under the stress of the great famines of 1899-1900, when the State stood in need of heavy importation of food materials and required British Indian coin to meet that demand, the depreciation of the State coin went down at an alarming pace. And there was no other alternative but to stop coining local money to save the local people. Under the sanction of the Government of India the State mint was closed in 1902, and the Lachhman Sahi and other local currencies were converted into the Kaldar.

This should not have been done for the following reasons:—

1. It gave the State seignorage profits which it has now lost owing to the closing of its Mint.
2. It has done away with the chief and only emblem of the independent existence and alliance of the State preserved by the Treaty.

Banswara no doubt is a small State, and in modern times the most of its monetary transactions are dependent upon the outside world of British India owing to extensive import and export trade; and the Durbar admit that a separate coin of different denomination from that current in British India, might have affected convenience of the trading classes within Banswara and British India. But then a more correct remedy could be applied to the situation than that of closing the State Mine.

Banswara is a friendly State under suzerainty of the British Government, who therefore could suggest that the Durbar coined their money

just of the weight and fineness of the British coin, and they would issue Notification that that coin should be legal tender in British India, just as some time ago the Bikaner coin was notified to be. If the Durbar's minting arrangements were unsatisfactory, the minting of their coin could be permitted in some more advanced Mint of British India, so that the Durbar could continue to enjoy their seignorage profits as well as retain their emblem of sovereignty.

In this respect the Durbar would invite attention to the first paragraph of the Supplementary Memorandum submitted by the Committee of Ministers who discussed the larger view of the currency in its fixed relations. The Durbar own that the exchange difficulties of separate coins of so many States operating in British India might be great. But the situation has to be met and some solution found out for this problem, if Treaties are to be respected and the States are not to be treated as pure vassals. In the Durbar's opinion the Government of India may be pleased to allow that it should be at the option of the States to reopen their mints, if they so desired, but to coin a money of the weight and fineness approved of by the British Government, so that it might be a legal tender exchangeable in British India.

JAISALMIR.

The coinage of "Akheshahi," as the local currency is called, in Jaisalmir mint, has been, since some years past, on a small scale, as most of the payments are made, and revenue under most of the heads is received, in Kaldar (British Indian Rupee) as Kaldar has practically supplanted "Akheshahi" in ordinary business transactions.

PARTABGARH.

A Mint was established at the Capital early in the eighteenth century by Maharawat Salim Singh during the time of Shah Alam II, then the King of Delhi, from whom the privilege was obtained. The currency was known as "Shah-Alam Shahi" or "Salam-Shahi." There have been two issues, namely, the old and the new. The latter rupee was introduced in 1870. It contained $31\frac{1}{2}$ grains of alloy. It was current in Banswara and part of Dungarpur, Udaipur, Jhalawar, and Nimbahera and in Central India States. It was worth about 13 annas each. Owing to certain causes in connection with the general falling of silver value, the Shahalam Shahi coin depreciated to such an extent that it exchanged in 1903 for $7\frac{1}{2}$ British annas. It was therefore resolved to demonetise the coin and introduce Imperial Currency in their stead. The Government of India agreed to give up to a limited amount, 100 British in exchange for 200 Salamshahi rupees, this being the average rate of exchange during the six months ending with the 31st March, 1904, and in accordance with a notification previously issued, the conversion operations lasted from 1st April to 30th June, but the actual market rates during these three months were more favourable to holders, i.e., the people could get 100 British rupees in

exchange for 194 Salamshahi and the result was that not a single rupee was tendered for conversion at the rate fixed by Government. In all the State transactions Imperial Currency has been the sole legal tender from 1st July, 1904, when the Partabgarh Mint was closed. The Durbar regard the establishment of its own Mint as an attribute of Sovereignty and as such would like to revive the privilege. It may be left to the option of the State to coin State silver into rupee at par with the British Coin.

RAMPUR.

Government Mints coin money not only for circulation in British India but the States. The States claim a reasonable share in the profits which Government make from Mintage and the Paper Currency.

BHAVNAGAR.

To me this appears to be an imperial question. There should be one currency for the whole country. The States may make some sacrifice for the economic welfare of the country as a whole.

COOCH BEHAR.

This question does not concern the State.

DHRANGADHRA.
WANKANER.
WADHWAN.
MULI.

KOTDA SANGANI.
SAYLA.
THANADEOLI.
MALIA.

The Drain on the finances of the States caused by the exclusive right of minting and issuing of the paper currency as exercised by the British Government has been discussed in all its various aspects by the committee of the ministers and others, an extract from whose report is annexed herewith and marked Appendix B. The States consider themselves entitled to their fair share of the profits from minting and paper currency.

APPENDIX B.

Extracts from Memorandum by the Committee of Ministers and others regarding . . . Coinage in Indian States.

It is admitted on all hands that the States cannot remain unaffected by the conditions in British India; on the contrary, the conditions in the latter directly react upon the former and are reflected there in all essential respects. It will not be denied that, for whatever reasons,

the administration of British India has of recent years become stuntingly expensive. As long as the fact remains, it is not necessary to go into reasons. The reason may simply be the diminution of the purchasing power of the rupee. If the reason be no other, the point still is that the burden of the States has increased by both phenomena, the cause and the effect, the expensiveness of the agents and functionaries and their adjuncts and the reduced value of the rupee. The cause of the latter is the currency system of British India. By virtue of its larger wealth, more extended trade operations and the inevitability of the commercial relations between it and the Indian States, British India has been able in practice to impose its currency upon the States. Consequently the blemishes of its currency system have in the past imposed unlooked for burdens upon the States and continue to do so. The States are helpless and they have to submit to being sacrificed upon the altar of financial and trade interests which are not commensurately theirs.

Then again there is the question of the conditions in British India in regard to labour, prices, wages, &c., not only not unconnected with but directly arising out of the complexus of the British Indian Currency legislation, exchange manipulation, &c., &c. The States are the butterfly on the wheel. Their own currencies have hopelessly depreciated, as they were bound to do the moment the British rupee acquired a token value by being linked with the gold exchange, and there is for them to lay, unweaponed, the same spectre of higher prices, higher wages and what not. But perhaps this cannot be helped. At all events, this memorandum is not intended as a diatribe on the administrative methods of British India. The object is only to state the facts, to awaken consciousness to the burden and hardships of the States and to seek a remedy with the friendly assistance and sympathetic co-operation of British India. As the point emerging from all that has been stated in this paragraph, let us take practical and concrete examples of the hardships and disabilities suffered by the States.

The States have, on the whole, adopted the British Currency, even though some of them have not declared it legal tender in law. The Government of India coin rupees for the requirements of British India as well as of the States, and yet they keep all the minting profits and seigniorage receipts in the name of the Gold Standard Reserve designed to stabilize exchange for the good of the whole country, an object, however, it has failed to achieve. To be brief, the States consider themselves entitled to their fair share of the profits from minting and paper currency, and ask for them. They regard it as an injustice to be denied their proportionate due.

Again, when conditions in British India demand it, the Government impose restrictions upon the import and export of silver and gold. On those occasions the States ask that their financial autonomy should not be interfered with by bringing them under the operation of such restrictions. All that can be fairly expected of them is that they shall not stultify the measures taken by the Government of India for the good of themselves and their subjects.

JHALAWAR.

The Durbar do not wish, for many reasons, to re-open their mints, but they do claim the right to have its silver coined at any of His Majesty's mints into rupees at par with the British coin, on payment of the coining charges.

JUNAGADH.

The privilege of minting their own coins has been enjoyed by the Rulers of the Junagadh State for more than a hundred years before 1858, and long before the Walker Settlement of Kathiawar. The coin struck was known as the Dewansahi Kori, on one side of which were the name of Junagadh and the date of the coin, and on the other side the name of the Emperor of Delhi, with the additional mention of "Shri Dewan." An interesting description of this contained in a letter, dated 1869, written by the State to the Political Agent, Kathiawar, is given in *Appendix L*.

Several times the question was raised, beginning from 1863, for the abolition of this local currency, but no agreement was ever reached. At one time the Government of Bombay intimated that they were ready to give compensation, and on this assurance in 1908 the then Dewan of Junagadh suggested the sum of Rs. 28,000 as annual compensation for the surrender of the right of minting. (See *Appendix LI*.) This suggestion was rejected by the Political Agent, Rajkot, in his letter dated 9th July, 1909. (See *Appendix LII*.) The proposal was again put forward almost immediately on his arrival as Administrator by Mr. L. Robertson, I.C.S. So anxious was he for the suppression of the Kori and the establishment of the rupee as legal tender that he withdrew all claims for compensation. The actual proposal for conversion was, as a result of lengthy correspondence, on the following basis: (1) that the State should give 405 Koris and receive Rs. 100 from the British Government, the intrinsic value of the silver in the Koris being in the proportion of 367.44 to 100, that is to say, the State should pay the British Government a seigniorage of 38 Koris to 367, roughly over 10 per cent.; (2) that the State should bear all costs of transport of Koris to British Mint and the coinage of the rupees to be given in exchange and the transport of the rupees back again to the State. This had been calculated at 28 Koris on 400, that is to say, 7 per cent. (*vide* letter No. C'100 of 11th October, 1912, *Appendix LIII*); (3) that the legal tender quality of the Kori and its circulation was to be abolished and the British coin was to be circulated thereafter and that the British coin was to be the sole legal tender for all purposes thereafter.

The operation of conversion which was thus carried out not at the request or desire of the State, but at the instance of the Paramount Power, lost to the State several lacs of rupees in the difference between real and face value of silver Rupees delivered.

Not only did it deprive the Ruler of a mark of sovereignty, which he was entitled to cherish very highly, but it also inflicted on the subjects, for the time being at all events, an inconvenience in their daily operations.

The then Dewan of Janagadh, in his letter dated 17th April, 1903, referred to profits made by the Paramount Power on the rupee coinage. These profits on rupee coinage as well as reserves on the Notes issued since the date of conversion, viz., 1912, have been roughly estimated, and it is found that the contribution of Junagadh thereto, on the basis of its population, would be between 30 and 40 lakhs of rupees.

This change was forced upon the State at a time when the Ruler was a minor and the State was under the administration of a British Officer. Minority administration pertains to the day-to-day administration of the State, and surrender of anything which might be construed as an important right or prerogative during the period of minority administrations has been rightly condemned by the princes on several occasions.

The advantages of common currency which eliminate risk of miscalculation as well as fluctuation of exchange in the daily operations of the State, are patent, but the manner of securing the benefits of common currency except by free negotiations and on the basis of compensation must be regarded as open to question.

APPENDIX L.

The Resolution of the Government of Bombay No. 2457 contained in their wire dated 3rd August, 1869, sets out a request for particulars of the mints in the Bombay Presidency, and the reply was called for thereto within ten days. The reply *seriatim* is as follows:—

1. Junagadh was an independent kingdom for many years before the British Government assumed power and has been minting its own coins. The settlement made by Col. Walker has recognised the independence and the outstanding position of the State *pari passu* with the authority of the Peshwa and the Gaekwar, and the Durbar have continued to enjoy these rights ever since.
2. The silver coin, which is minted here, is known as "Dewan-shahi Kori," on one side of which is written in Devnagari script "Shri Dewan" and in Persian "Badshah Haji Mahomed Abba Sicca." On the other side is written "Jarb Junagadh, dated . . ." We do not recognise any need for mentioning the name of the Moghul Emperor on these coins, and we are agreeable to insert in its place the name of Her Majesty the Queen Victoria.
3. The silver contents of the coin are $7\frac{1}{2}$ Val and the copper therein is $4\frac{1}{2}$ Val.
4. For the last five years it has not been found necessary to mint new coins as the mint has been carrying a stock. From Samvat, 1912, to Samvat, 1920, 60,35,327 Koris have been issued. This is in addition to any coins which may have been issued before that date. The Agency has fixed the rate of 368 Koris to 100 British rupees.
5. The method of minting is that silver and the alloy are mixed and the block is then cut into strips. This strip is placed on an anvil, which has a die, and is covered with a block and then hammered, resulting in the stamp to the coin on both sides. This is done by goldsmiths who work in a closed paved room.

6. It is not the practice of the Durbar to issue coins against silver tendered to them.

7. The coin has universal circulation within the State and is also current in Batwa, Dhoraji and other territories outside.

(Translation of a Memorandum written by Junagadh State to the Political Agent, No. 14-4, A.F. No. 34, F. No. 34.)

APPENDIX LI.

No. A/152 of 1908.

From Mirza Abbas Ali Baig, Dewan of Junagadh to P. S. V. Fitzgerald, Esquire, C.S.I., Agent to H.E. the Governor in Kathiawar.
Junagadh, 17th April, 1908.

SIR,

I am directed to inquire whether in the event of His Highness the Nawab Saheb relinquishing his right to have his own currency, the British Government would agree to compensate him for the loss of seigniorage by making such reduction as may be deemed fair from the annual tribute of Rs. 28,394 payable by the Junagadh State to the Paramount Power.

The current coin of the State is the Dewanshai silver *kori*, which is equal to 2/5th of a tola in weight and is made up of 5/8ths of silver and 3/8ths of copper. The latest year when new *koris* amounting to 11,88,118 were struck to replenish the currency was 1882 A.D. *Koris* of gold have also been struck in the State from time to time, but no attempt has yet been made to fix the relative value of gold and silver *koris* and to bring the former into circulation. About three crores of silver *koris* are now believed to be current in the State.

It appears from the marginally transcribed answer of the Secretary of State for India to a question addressed to him in Parliament that

In the House of Commons the profits on coinage of rupees in the British Mints last year amounted to Rs. 6,00,00,000. If the population of British India and the Native States which use the British currency, is the main factor on which the extent of the currency as well as the profits on the coinage of rupees may be taken to depend in a large measure, the addition that would accrue to the seigniorage and profits of the Imperial Government by the inclusion of the population (about 4,00,000) of the Junagadh State among those who use the British currency, would, in proportion, amount roughly to over Rs. 80,000 a year. This, perhaps, is too high an estimate based on statistics, the true significance of which His Highness the Nawab Saheb's Government does not presume to know; the figures are quoted only in support of the equitableness of allowing His Highness such compensation as the Imperial Government may consider just and fair.

Mr. Morley: The profit on the coinage of rupees is not treated as revenue; it has hitherto been transferred to the gold standard reserve, and in future one-half will continue to be so transferred, the other half being used for capital expenditure on railways. The amount of the profit in 1906-07 was approximately £4,000,000. The profit on other coinage, which is treated as revenue, amounted in 1906-07 to £254,000.

I have, &c.,

M. A. BAIG.

APPENDIX LII.

No. 3947 of 1908.

From C. H. A. Hill, Esq., C.I.E., I.C.S., Agent to the Governor,
Kathiawar, to the Dewan of Junagadh.

Kathiawar Political Agency,
Rajkot, 9th July, 1908.

SUBJECT:—KORI CURRENCY IN THE JUNAGADH STATE.

Sir,

With reference to your letter No. A/152 of the 17th April, 1908, I have the honour, under instructions from Government, to inform you that as the benefits which would be likely to accrue from this transaction would be enjoyed almost entirely by the Junagadh State and as the British Government would derive no fiscal advantages therefrom, Government would be unable to entertain any proposal for compensation.

I have, &c.,

C. H. HILL.

APPENDIX LIII.

No. C/100 of 1912.

Urgent and Confidential.

From L. Robertson, Esquire, I.C.S., Administrator, Junagadh State,
to the Agent to the Governor, Kathiawar.

Camp Verawal,
11th October, 1912.

Sir,

With reference to the papers received with your endorsement No. 6998 dated the 7th instant, I have the honour to inform you that orders have been issued for the immediate despatch to the Bombay Mint of 10,000 tolas of koris as desired in para. 4 of the letter from the Government of India in the Foreign Department, No. 1929-I.A., dated the 11th September, 1912.

2. Subject to a satisfactory settlement of the question of the cost of coining, which is to be decided on the results of experiments on the koris above mentioned, I accept the other terms laid down by the Government of India, namely, rate of conversion to be 400 koris=100 British rupees, cost of carriage to and from Bombay and cost of coining to fall on this State.

3. There are two matters that have to be settled, namely, the rate at which koris are to be called in and the time within which the operations should be completed.

4. It is clear that in order to save the State from loss on the transaction the rate at which the koris are to be called in should be so fixed

that the excess over 400/100 will cover the charges that will fall upon the State. These charges may be classified as follows:—

- (1) Additional establishments for taking in the koris, counting and testing them at the various treasuries of the State and escort charges.
- (2) Cost of transport inclusive of insurance of koris to and of rupees from Bombay.
- (3) Cost of minting.

5. The additional charges under (1) above will amount to 2 koris per 400 koris.

6. Freight charges will be about 5 koris per 400 koris, this makes allowance for return freight on the rupees.

7. Railway freight will be $1\frac{1}{2}$ pies per Railway maund per mile. So that 3 koris per 400 will cover this inclusive of return freight and of carting charges in Bombay.

8. Coining charges have yet to be fixed, but taking them at Rs. 30 per Rs. 1,000, which is Rs. 9 in excess of the rate mentioned in the joint letter from the Mint Master and the Secretary and Treasurer, Bank of Bombay, No..... dated the 12th September, 1887, regarding Porbandar Kori conversion, we shall have to add 12 koris per 400 koris on this account.

9. We have therefore a total of koris 417 per 100 Rs. In order to cover any unforeseen charges and in case the minting charges should exceed Rs. 30 per Rs. 1,000 I propose to fix the rate at which koris are to be called in by this State at koris 420 to Rs. 100. This rate will inflict no hardship on the people since at present they cannot get Rs. 100 for less than 425 koris.

10. With regard to the actual transaction, I have to make the following proposals.

11. I am ready to send 40,00,000 koris to the Mint as soon as the operations are to commence. This would mean a delivery to me of a payment due to me of Rs. 10,00,000. I would ask that this sum may be paid to me within one month of the date of receipt of the koris at the Mint.

12. If this is done, I would be able to buy up about Rs. 9,50,000 worth of koris a month. As we estimate that there are $2\frac{1}{2}$ crores of koris to be bought up, the whole transaction will be completed in 6 months.

13. If however it is not possible for Government to return me Rs. 10,00,000 within the first month or if Government desire the operation to be completed within a shorter time than 6 months, it will be necessary for me to ask Government for a loan, say, of Rs. 10,00,000 for one month or for the interval between the date of sending the koris in the Treasury to Bombay and the receipt from the Mint of the equivalent amount in rupees, or if Government desire a shorter period of operations, the loan period will have to be extended.

14. In his letter, No. 1831, dated the 27th September, 1912, the Mint Master states that the present is a suitable time for carrying out the conversion. I desire therefore that the actual operations should not await the results of the experiment referred to in para. 1 above. I am ready to proceed at once, and I would be glad if permission to do so may be accorded without delay.

15. As Junagadh State is foreign territory in respect of customs in British India, the koris on importation into the latter will be liable to import duty 4 annas an ounce. This is equivalent to a duty of 10 per cent. *ad valorem* and as the value of our koris will be between Rs. 50,00,000 and Rs. 60,00,000, the amount to be expended on import duty alone would be between 6 and 5 lakhs of rupees. I trust that Government will not impose this heavy burden on the State, but will be pleased to remit the import duty as a special case, whether the koris are sent by sea to Bombay via Verawal or by land via Viramgam. I would point out that the silver in the koris is not in the shape of bullion, is not being imported into British India for the purposes of trade and will never be put in the market except in the shape of coined rupees. Thus exemption from import duty in this case will not, in any way, affect the silver market. If Government are not pleased to make this concession, the whole position will have to be reviewed, since a loss of 5 or 6 lakhs of rupees in import duty materially affects the financial aspect of the operation. Moreover, as coinage of koris has not been carried out since 1882 A.D., the silver in them was imported into India many years before an import duty was imposed on silver.

16. I would accordingly request that Government may be moved to pass Orders on the following points as soon as possible:—

- (1) Junagadh State to be authorised to call in koris at 420 to 100 rupees.
- (2) The operations to be carried out in 6 months counting from one month after the koris in the treasury have been sent to the Mint.
- (3) The Mint to return Rs. 10,00,000 within one month of the date of receipt of 40,00,000 koris at the Mint.
- (4) Or as an alternative to (3), Government to give a loan of Rs. 10,00,000 at 4 per cent. for one month or longer, if the conversion period is to be less than 6 months.
- (5) Permission should be accorded to Junagadh to proceed with the operations without delay.
- (6) That the koris be exempt from import duty on importation into British India inclusive of the 10,000 tolas being sent for experiment as mentioned in para. 1 above.

17. If Government agree to these propositions, a notification similar to that accompanying Government Resolution No. 4100, Political Department, dated the 5th June, 1900, will be issued. A draft* of such notification accompanies.

I have, &c.,

L. ROBERTSON, I.C.S.

BARWANI.

The State has adopted the British currency as a legal tender. The Government of India coin rupees for the requirements of British India as well as of the State and yet they keep all the minting profits and the seigniorage receipts to themselves. The State is entitled to its fair share of profits from minting and paper currency.

* Not printed.

CAMBAY.

Here, as in the case of 5 (a) and 5 (b), the State would prefer this question to be considered in the light of general representations that are going to be made by the more important States.

MORVI.

As long as Mints follow sound economic principles and the face value of the standard coin is not allowed to exceed the intrinsic value of the metal, there are no profits on the one side or losses on the other. But as soon as coins are debased, leaving a large margin of profits to Government, the State and its subjects suffer unless the profits from minting and paper currency are shared on an equitable basis. The Morvi Durbar suggest that a fair and easy solution of the question would be to open Mints to the free coinage of silver, as was the practice till 1893.

PUDUKKOTTAI.

The State has no Mint of its own and does not coin the money needed for its requirements. It has adopted the British Indian currency, both coins and paper money. The State feels that it is entitled to a share of the profits which the Government of India make by minting money and paper currency and the share which the State should be given would, as in the case of customs, be in proportion to the extent of her population as compared with that of British India.

In this connection I may state that the State has to procure a supply of small copper coins called "Amman cashes" for being doled out in an annual religious ceremony in the State. These pieces are got minted at the Calcutta Mint of the Government of India on payment of the cost of the copper and the minting charges. These pieces are current within the State at the rate of 320 pieces per rupee. As the States get the supply on payment of a higher price, that is at about 260 pieces per rupee, the coins got minted are not treated as legal tender and are supplied only at the religious ceremonies to the extent absolutely necessary.

RADHANPUR.

The State had the right of minting its own coins—gold, silver, copper, &c.—but the Mint was closed in 1900 under the orders of the Government of India, and the Jorawarshai currency then in circulation was withdrawn and ordered to cease as legal tender, an undue advantage being taken during the minority administration. This action of the British Government has put the State to economic loss of its profit from currency and exchange which would have amounted to a large amount in these days. Besides this minting was providing a business to the local gold, silver and copper smiths. Apart from and in addition to the economic loss, the ruling family of the Nawab

Saheb feels the blow to its dignity given by the deprivation of the State's currency and coins because the maintenance of the Mint is regarded as the greatest prerogative and the highest privilege of an Indian Ruler, and the Nawab Saheb feels very keenly that the Izzat and dignity of the ruling dynasty is seriously impaired by the discontinuance of State coinage. The State therefore maintains that it should be at the absolute discretion of the State to re-open its Mints if it is so desired. The policy of Government of encouraging a universal currency does not necessarily involve the introduction of the British rupee in the State. The same object could have been attained by coining State silver into rupee at par with the British coin and thus enabling the State to reap the profit to which it is legitimately entitled.

SAMTHAR.

The State should be allowed to coin State silver in rupees at par with British coin to the extent of their domestic requirements through British Indian Mint.

BANSDA.

(1) Absence of their coinage has deprived autonomous States of a portion of their sovereignty.

(2) Despite the apparent advantages of having a common currency for India as a whole, fluctuation of exchange has at times adversely affected the subjects of Indian States who are mostly interested more in their exports than in imports. During the last decade this effect has been prominently noticeable.

(3) The profits of the Imperial Government arising from Mints and currency are calculated to stand at nearly four crores of rupees, out of which about ninety lakhs should go to the States on the basis of population. This is a legitimate claim of the States in lieu of their sovereign right to have their own coinage.

(4) In order to effect financial unity between one group and another, i.e., British India and the Indian States, equitable compensation should be given to the States out of the profits gained by the Imperial Government.

(5) The coinage in States at the time they were allowed to have their coins had a higher money value, and the idea of the Imperial Government in persuading the States to shut down their mints was the attainment of a desired sterling value for their rupees. This is one of the grounds for claiming compensation as stated in (3) and (4) above.

(6) The reserves transferred from time to time to London and their location there should be checked. An indiscriminate use of these funds for the maintenance of exchange rates between England and India has considerably affected prices and wages in Indian States in consequence of a high exchange rate.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

Regarding the question of Mint and currency, this State does want a share in the profit of Mint on the circulation of currency which is being used up by the State. This Durbar is of opinion that this matter will be represented by the joint representation of the Chamber of Princes through its legal advisor.

RAJKOT.

The inherent rights of the States give them a full puissance to maintain and organise their currency and minting processes in their own States. This concerns with the economic development of the States and can best be done by them, as circumstances prevail in the country.

SANGLI.

It should be at the option of the Sangli State to re-open its Mint at Sangli, if it so desires, especially as it is not prohibited by any of its treaties or engagements.

Mr. Elphinstone, who negotiated the agreement of 1819 with the State, was prepared to obtain for the British Government the State's rights of coining "by offering a sum of money somewhat superior to its profits from the Mint" (*vide* West's Memoir, page cxlviii). In his letter No. 578, dated the 7th June, 1819, to Mr. Secretary Metcalfe, Mr. Elphinstone made it clear that no alterations regarding the Mints which may be thought to affect the interests of Government, may be attempted in the Southern Maratha Country States without the free consent of their Chiefs (Mr. Elphinstone's letter No. 578, dated the 7th June, 1819, to Mr. Secretary Metcalfe is quoted in West's Memoirs, pages clxxi-clxxix at page clxxv). The Government of India coin the rupees, &c., which meet the requirements of this State as of all the other States with a few exceptions. The State prays for a share of the profits from minting and paper currency and of the interest on the Gold Standard Reserve.

SAWANTWADI.

States, like Sawantwadi, which have full internal sovereignty, should have the option to re-open their Mints if they so desire. The policy of the Government of India of encouraging a universal currency does not necessarily involve the introduction of the British rupee in the

States. The same object could have been attained by coining States' silver into rupees at par with British coin, and thus allowing the States the profit to which they are legitimately entitled. Case No. VI will show how the Mint for the coinage of silver and copper which the Sawantwadi State possessed was closed during the period of the British management of the State's administration, in other words during minority administration, by the fiat of the Political Department of the Government of India. The Sawantwadi Durbar urges that it should have the option of re-opening its Mints if it so desires, or else in the alternative of obtaining its fair share of the profits from minting and paper currency.

Case No. VI.

ENCLOSURE No. I.

No. 2602 of 1845.

From the Chief Secretary to the Government of Bombay to Captain G. Le Grand Jacob, Political Superintendent of Sawunt Warree.

Bombay Castle,
28th May, 1845.

Sir,

With reference to my letter, dated the 21st ultimo, No. 1956, I am directed by the Honourable the Governor in Council to transmit, for your information, copy of a letter from the Secretary to the Government of India, dated the 9th instant, No. 1296, conveying the authority of the Right Honourable the Governor-General of India in Council to the suppression of the Mint at Sawunt Warree, and to request that you will be pleased immediately to carry this measure into effect.

I have, &c.,
J. P. WILLOUGHBY.

Accompaniment.

No. 1296 of 1845.

From F. Currie, Esq., Secretary to the Government of India, to the Chief Secretary to the Government of Bombay.

Fort William,
9th May, 1845.

Sir,

I have the honour to acknowledge the receipt of your despatch, dated the 21st ultimo, No. 320, on the subject of prohibiting the coinage at the Sawunt Warree Mint of the Peerkhanee currency.

2. In reply, I am directed to state that the Governor-General in Council approves the Orders issued by the Honourable the Governor in Council for suspending the operations of the Mint at Sawunt Warree and authorises its suppression altogether as recommended by His Honour in Council.

I have, &c.,
F. CURRIE.

Case No. VI.

ENCLOSURE No. 2.

No. 28 of 1846.

From the Political Superintendent of Sawunt Warree to J. P. Willoughby, Esq., Chief Secretary to Government, Bombay.

Sawunt Warree,
3rd March, 1846.

Sir,

I am informed in the 2nd para. of your letter No. 72, dated 7th January, that it is the intention of Government to call in the Peerkhanee currency and to substitute for it the Company's rupee in which currency it is deemed desirable to fix the expenditure of the Sawunt Warree State according to its relative value. I beg, however, to state for the information of the Honourable the Governor in Council that in consequence of the stoppage of the local mint and of the great influx of Company's coinage consequent on the payment to the troops in this State, the relative bazar value of the two coins has gradually approximated and for the last two months has been quoted at par—payments also of the revenues have in many instances been made in the Company's rupee at par—the loss to the State would be enormous if its revenues were to be realised with a remission of the difference of the assay value between the two rupees and further more the heavy deductions that would ensue from the salaries of the present under-paid establishments would excite the most serious discontent.

2. Let us for example look on its effects on the Warree corps of which a Private receives 5 rupees per mensem, has to furnish his own clothing, and is not entitled to pension for length of service. The calculation of his pay in Company's rupee at the relative assay value according to the table published 21st August, 1826, discarding minute fractions would leave him rupees 4-3-0 per mensem and as the Company and Peerkhanee are now of the same value in the bazar would be a positive loss to him of 13 annas a month. The result of such a measure would be dangerous as regards the continued fidelity of the men the more especially since a corps has just been raised in the neighbourhood (Kolapoor) with the superior pay of Rs. 6 per mensem and an annual jacket although on the same footing as regards service.

3. For the foregoing reasons I would beg urgently to recommend that the local currency should be left to its own gradual process of extirpation, and if eventually it be found that payment in the Company's rupee presses harder on any particular village than its resources are equal to, the same be left to be considered on its own merits with a view to any remission that the circumstances of the case may call for. As a general rule as far as my limited experience enables me to judge I conceive the land revenue or Jumma bundee assessment to be light and as the population has been relieved of much of the extortion practised long after that assessment was fixed and which was a well understood part and portion thereof, the collection of the revenue in Company's currency will not press hardly upon the Ryots, who have even now in many cases paid in both currencies without preferring any claims to remission.

I have, &c.,

G. L. JACOB.

Case No. VI.

ENCLOSURE No. 3.

No. 1339 of 1846.

From The Chief Secretary to the Government of Bombay to Captain
G. LeGrand Jacob, Political Superintendent of Sawunt Warree.

Bombay Castle,
8th April, 1846.

Sir,

I am directed to acknowledge the receipt of your letter No. 28, dated the 3rd ultimo, recommending that for the reasons therein stated the Company's currency may not suddenly be substituted in the public accounts of the Sawunt Warree State for the Peerkhanee, but that the former should be allowed gradually to replace the latter.

2. In reply, I am desired to inform you that the introduction of the Company's Rupee into the Warree State should, in the opinion of Government, be conducted upon the principles that have regulated its introduction generally throughout the British Territory under this Presidency, namely, by being received and issued at the assay value in all transactions which require conversion to be made into the local currency.

3. On enquiry it appears that by a strict adherence to this rule it has been found that the superior currency has after a time risen to its proper level according to its intrinsic value, however much it may have from peculiar circumstances at first become depreciated in the Market.

4. The Governor in Council conceives that in the present instance the measure can be carried out without any difficulty. The Ryots, whose assessments are fixed in the Peerkhanee Currency, should be allowed the difference of the exchange on paying their revenue in the Company's rupees. This is only an act of justice to the Ryots which should not be departed from on the score of any disadvantage that might arise therefrom to Government.

5. With regard to the effect which may be produced by an adherence to this rule upon the pay of the Sawunt Warree Local Corps and the other establishments in that country in consequence of their having hitherto received their pay in the Peerkhanee Currency, I am desired to observe that this can only be considered a hardship in the salaries of the individuals, when converted into the Company's rupee, falling disproportionately below, those of other similar Corps and establishments in the neighbourhood.

6. In such a case the Governor in Council is of opinion that it will be desirable at once to follow the course adopted at Deesa on the introduction of the Company's rupee namely to remodel the salaries of the parties and to fix them at an equitable rate in the Company's currency.

I have, &c.,
J. P. WILLOUGHBY.

Case No. VI.

No. 2660 of 1846.

ENCLOSURE No. 4.

From A Malet, Esq., Secretary to Government, Bombay, to Captain
G. LeGrand Jacob, Political Superintendent of Sawunt Warree.

Bombay Castle,
8th July, 1846.

Sir,

I am directed to acknowledge the receipt of your letter, dated the 23rd April last, No. 54, on the subject of the substitution of the Company's for the Peerkhane rupee as the rupee of assessment and account throughout the Warree territory.

2. In reply I am directed to inform you that the Honourable the Governor in Council considers that every Ryot at the present time who brings a Company's rupee to a Warree treasury has an undoubted right to demand that it be there received in payment of his revenue at its intrinsic value and that credit be given to him (at the rate of exchange quoted in the 2nd para. of your letter) for rupees 1-3-0 of Peerkhane currency.

3. The abolition of the mints at which the Peerkhane rupees were coined and the withdrawal of this coin from circulation necessarily raises its exchange value and it would be manifestly unjust to insist on the Ryots paying this rupee or not to provide them with the means of paying their dues in a coin readily obtainable at a rate in proportion to the quantity of pure silver it contains in comparison with that coin in which their revenue was originally fixed.

4. The Governor in Council is, therefore, of opinion that the substitution of the Company's for the Peerkhane rupees as the rupee of assessment and account throughout the Warree territory should at once be carried into effect, the Peerkhane rupee continuing to be received for the present at its assay value.

5. Whether the revenues of the whole or any portion of the Warree villages will bear an increase of assessment which will at all make up the reduction in the number of rupees forming the revenue is altogether beside the present question. If such be the case the circumstances of the Warree State certainly justify the measure which can, however, scarcely be carried into effect without a regular survey.

6. The question as regards the remuneration of the servants of the State is certainly difficult to deal with in as much as the natural position of the two currencies is temporarily deranged by the substitution of a better for worse coin and of this the shroffs who contrive to regulate their proportional value necessarily take advantage.

7. The Governor in Council considers that the only effectual way of meeting this difficulty will be by readjusting all salaries, a measure the more expedient since you declare (and with much apparent justice) that those of all the servants of the State are now on far too low a scale to be compatible with efficiency. I am, therefore, directed to request that you will at once submit a statement, showing the position in which the whole receipts and disbursements at the Warree State will stand when this arrangement shall be carried into effect.

I have, &c.,

A. MALET.

AKALKOT.

The State has adopted British currency and the Government of India coin rupees to meet the requirements of the States. It is, therefore, equitable that the State should get a fair share of the profits from minting and paper currency.

BHOR.

The State was required to agree to the introduction of the British Currency in the State and thus indirectly surrender its right as a Sovereign State to open a mint or introduce any currency it liked by Article of Agreement No. LVI of 1839 A.D. (*vide* Aitchison's Treaties Vol. VII Edition 111, page 148). It is submitted that this agreement was effected when the Ruler, who was taken in adoption, was a minor. Hence the validity of this agreement is questionable. In consideration of the sovereign rights of the State in this connection, the State has a claim to a share in the minting profits including those derived from paper currency also, on the basis of its population.

PHALTAN.

It is not now a controversial point, that the reduced value of the present rupee is in no small degree the cause of the higher cost of administration and living. In fact, many economic evils are attributable to the artificial value of the currency. The British Government coins rupees and other coins for both British India and most of the States. But the profits arising from this minting business go entirely to the credit of the British Indian treasury. The States have to bear this burden without any compensation in the form of profits. It is not, therefore, unfair on the part of this State to ask for proportionate share of the profits accruing to British Indian Government from this monopoly of minting and paper currency. The States should also be made sharers in the interest on the gold standard reserve.

MIRAJ (Senior.)

There was a Mint at Miraj where silver coin used to be coined. The Collector of Dharwar who was also the Political Agent advised the State to stop it. The advice was respected. There was a system of paper currency. Hukeri Rupees were coined both for the State and for the public. No material profit was claimed. Since then the value of silver, gold and copper has altered. Coinage now brings profit to Government and is a source of revenue; so is the paper currency. Considerable money transactions prevail in the State. If the State had its own Mint and paper this source of revenue would have been utilised. Having regard to the fact of the full internal Sovereignty of the State, though under the protection of the Paramount Power,

your Honourable Committee have to determine the following questions:—

- (a) The power and right of the State to coin its own money.
- (b) Whether coinage is a source of income to Government.
- (c) Whether coinage has been stopped in the State at the instance of Government.
- (d) Whether the State is equitably entitled to a reasonable share in that income based on a standard to be fixed upon expert advice.

The issues above named can be answered thus:—

- (a) The State does possess the power and right.
- (b) The financial statement of Government clearly shows that coinage and currency are a source of income. This includes paper currency.
- (c) That the State mintage has been stopped at the instance of Government is a fact which can be proved at any time.
- (d) The large circulation of money and paper in the State clearly shows that the State is equitably entitled to a proportionate reasonable share in the income.

MIRAJ (Junior).

This State has adopted the British Currency. The Government of India coin rupees for the requirements of British India as well as of the States, and yet they keep all the minting profits and seigniorage receipts in the name of the Gold Standard Reserve, designed to stabilize exchange for the good of the whole country, an object, however, it has failed to achieve. This State considers itself entitled to a fair share of the profits from minting and paper currency, and asks for them. This State regards it as an injustice to be denied its proportionate due.

Again, when conditions in British India demand it, the Government impose restrictions upon the import and export of silver and gold. On those occasions, this State asks that its financial autonomy should not be interfered with, by bringing it under the operation of such restrictions without first consulting its wishes.

JAMKHANDI and RAMDURG.

There are no mints in our States and British currency is in vogue. The British Government has the monopoly of currency and exchange. We claim a share in the minting profits and seigniorial receipts. The States are entitled to a fair share in the profits even from paper currency.

KURUNDWAD (Senior).

There are no mints in this State and the British currency is in vogue. I claim that this State is entitled to a fair share of profits from paper currency.

THARAD.

By virtue of its larger wealth, more extended trade operation and the inevitability of the commercial relations between British India and the Indian States, it has in practice imposed its currency upon the States. Just as the expenditure in British India has become astoundingly expensive there is corresponding increase in the expenses of the State. The purchasing power of the rupee has also diminished on account of the complication of the British India currency legislation, exchange manipulations, &c.

The facts stated above are not of the nature of comments on the administration of British India but they are stated with a view to show clearly the burdens and hardships of the States and to seek a remedy with the friendly and sympathetic assistance of British India.

As the British Government coins rupees for the requirements of British India and the Indian States, this State would respectfully urge that it may be granted a fair share in the profits of minting and paper currency.

PIPLODA.

Some States had to abolish their Mints whereas a few others still maintain them and their own currency, for instance, Hyderabad. This gives a cause for heartburnings. To return to the old state of things would mean endless trouble to the people at large and to Government. The utility of a coin current throughout India (whether gold, silver or copper) can hardly be denied. The question may be decided on broad lines. The British Mints are undoubtedly sources of income to the Imperial Government, and as the British currency now forms the wealth of the people to the remotest corners of the Indian States, it is fair that the States may be given a share of such profits proportionate to their population, the only uniform and satisfactory method of distribution of profits.

**SACHIN.
SAVANUR.
VADIA.**

**VIRPUR.
LAKHTAR.
DUJANA.**

These States indicated that they had nothing to say with regard to this subject.

SECTION IV

DEALINGS BETWEEN INDIAN STATES AND CAPITALISTS AND FINANCIAL AGENTS

FOR OFFICIAL USE

DEALINGS BETWEEN INDIAN STATES AND
CAPITALISTS AND FINANCIAL AGENTS

Summary of Replies Received

To Paragraph 8 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

*Extract from the Questionnaire issued by the Indian States
Committee.*

**DEALINGS BETWEEN INDIAN STATES AND CAPITALISTS
AND FINANCIAL AGENTS.**

**8. Have the States anything to add to the summary approved by the
Chamber of Princes in November, 1924, in regard to this question?**

HYDERABAD.

The Nizam's Government will be in a position to express its views on receipt of the summary referred to in this question which has not yet been furnished to it.

BARODA.

The restrictions imposed by these rules tend to raise the rate of interest the States have to pay. It seems desirable to leave such matters to be regulated by the States.

MYSORE.

The practical effect of the State being prohibited from issuing a public loan without first consulting the Government of India, in order to avoid the possibility of such a loan clashing with similar operations on behalf of that Government, is that the demands of the State are postponed, not only to those of the Government of India, but also to those of the Provinces, on whose behalf the Government of India now borrows through the Provincial Loan Fund. In other words the rate of interest which the State has to pay is increased.

This difficulty is aggravated by the fact that the Promissory Notes of the Government of Mysore are not included in the list of stocks, funds and securities in Schedule No. 1 of the Imperial Bank Act, on the security of which the bank may advance and lend money, nor in the list of trustee securities under the Indian Trusts Act.

INDORE.

In view of what is stated above in para. 5 (a) (12) (copy below), the State would protest against the restriction sought to be imposed upon the freedom of the State in these matters. The State may very well be trusted to safeguard its interests in these matters.

Para. 5 (a) (12).

In 1907 the Resident at Indore wrote to the Minister that according to the rules passed by the Government of India "no arrangements may be entered into between the Durbars and persons of this class except with the specific approval of the Government of India." He added "the rule also applies to the establishment of factories (including cotton gins and presses) in Native States, unless the persons concerned in the undertaking are subjects of the Durbar and even then if they are acting in conjunction with the capitalists outside the State." Protests were made against this, but without any tangible effect.

TRAVANCORE.

The Government of Travancore agree that it is reasonable that the intention to float a considerable loan by a State should be previously intimated to the Government of India lest it interfere with the Government of India's or any other State's borrowings in the open market. At the same time it may be considered whether an outside limit should not be fixed and a State allowed the liberty to borrow on its own authority within such limit. Small loans up to about Rs. 50 lakhs cannot in normal time affect the money market to any appreciable degree. Occasions may arise when, rather than lock up its fluid resources or draw upon well-invested reserves, it may be expedient for a State to borrow for capital outlay. Another consideration is that for such outlay for the permanent benefit of the peoples of a State, reserves built up from taxes realised from one generation should not be utilised so as to relieve posterity of the cost of the benefits accruing from such outlay. In view of these considerations it is undesirable that difficulties should be placed in the way of the flotation of loans by solvent States. It is also undesirable that restrictions should be imposed upon a State in the matter of the issue of loans or bonds within its own territory for the benefit of its own peoples. It must be remembered that there often is capital with the subjects of a State seeking safe investment, which, did the State not provide for, must inevitably go abroad.

2. The summary as amended by the Standing Committee of the Chamber of Princes provides for the previous concurrence of the Government of India being taken to a State's entering into transactions with alien persons or firms. If, as the context would indicate, this refers only to loans, the Government of Travancore have nothing to say. But if it relates to commercial and departmental transactions, the Government of Travancore demur to any such general limitation of action. In the ordinary course of administration it is often necessary to place large contracts for stores, supplies, machinery and equipment with foreign firms. The right of the State to enter into such dealings to meet the exigencies of its Government should not be hampered. Both in respect of public loans and financial and commercial transactions the Government of Travancore consider that a distinction might fairly be drawn in favour of advanced States with sound financial arrangements, controlled by annual budgets on up-to-date and effective lines. A distinction should also be drawn in favour of a State, where the Government is organised on constitutional lines and watched over by legislative councils, assemblies and such other really representative institutions and where public opinion is a well-developed and active force.

3. There is another direction also in which it is considered advisable that a clearly defined distinction should be drawn. The summary referred to would seem to contemplate that loans to Ruling Princes and Chiefs are necessarily on the same footing as loans to, or financial dealings by the Government of, a State for the purposes of its administration as apart from the personal requirements of a Ruling Prince or Chief. It may be desirable or even necessary to lay restraints upon borrowings or transactions entered into by a Ruling Prince for his personal needs. But external restraints to the same extent should not be necessary in the case of properly constituted

Governments acting in accordance with rules, regulations and well-recognised usage and delimited by numerous safeguards.

4. In the result, the Government of Travancore consider:—

- (a) That it is reasonable that large loans should not be floated in the open market by a State without previously consulting the British Indian Government.
- (b) That this State should have freedom to float loans within her territory without control from outside.
- (c) That in the matter of business transactions, other than loans from aliens, the Government of Travancore should not be fettered when acting for the legitimate purposes of an advanced administration.
- (d) That a loan to a Ruling Prince in his personal capacity may properly be subject to a measure of restraint and control if it will impose a liability upon the general revenues and financial resources of the State.

COCHIN.

The feeling has been manifested by several States that the antecedent sanction of the Government of India required in the case of public loans raised by Indian States has the effect of increasing the rate of interest payable on those loans, in as much as the States' loans must be in effect postponed to those floated by the Government of India and the Provincial Governments. Although certain safeguards may be considered necessary in the matter of the flotation of loans and the pledging of the credit of the States, yet, if and when the federal idea is carried into practice, the federal executive will be put in charge of these operations and will no doubt operate with due regard to the importance and urgency of the objects of the loan.

BANSWARA.

As there has been no occasion for the State to undertake such direct dealings, the Durbar have no complaint to make in this respect. But attention is invited to the arguments adduced in the Prime Minister of Bikaner's Note, dated the 16th November, 1927 (*vide* Appendix I), which, it is believed, will be submitted to the States Committee. The Durbar hope that the existing policy will be modified by the Government of India, in the light of that Note.

APPENDIX I.

Extracts from Note by the Prime Minister, Bikaner State, on relations between Indian States and Financial Agents and Capitalists.

* * *

Article 1 requires a State intending to issue a public loan to give previous intimation thereof to the British Government to avoid the

possibility of its clashing with similar operations by the Government of India. There is no reciprocity of obligation in the suggestion. The British Government take away a large amount of money from Indian States through their Post Office Savings Banks. No permission of the Indian States for thus tapping their financial resources has ever been thought of. Why should there be any obligation on the other party of previous concurrence before starting a public loan?

If the object of this restriction is only to safeguard the Indian States from intrigues or financial influence of large capitalists like Palmer of Hyderabad, the restriction may only apply to dealings with individual foreigners, but need not extend to recognised banks and registered incorporated companies or firms.

* * *

This was the purport of the Summary agreed by the Government of India officials at the last Standing Committee in 1924 (Article III). There is little justification why the Summary after its formal acceptance by the whole Chamber of Princes should now be altered and the safeguard of the Government of India's consent allowed to be attenuated. If there is no undertaking even of intervention to secure repayment of the loan there is no object at all in insisting on the Government consent unless it is the old and now discredited sense of distrust and fear of vassalage and financial influence between two Indian States.

"Can't we ever escape these feelings of distrust and suspicion" as asked by Mr. Baldwin?

JAISALMIR.

In the opinion of this Durbar the previous consent of the Secretary of State in Council, or of the Governor-General in Council, or of a Local Government should not be held to be necessary with respect to loans to Ruling Princes by European British subjects when such previous consent is not thought to be necessary in case of loans given by British Indian subjects. The Durbar think that, in view of the changed conditions, no restrictions should be imposed with respect to interstatal loans.

PARTABGARH.

The Durbar would like to make the following suggestions with regard to the Summary on the subject as approved by the Chamber of Princes in November, 1924:—

1. The restriction imposed in Article 1 of the summary regarding previous intimation to be given to the British Government in respect of the issue of a public loan by a State might only apply to dealings between individual foreigners but need not extend to recognised banks and registered incorporated companies or firms.

2. The phraseology of Article 3 of the said summary regarding interstatal loans may be changed as under :—

“ Unless the previous consent of the Government of India has been obtained the Government of India will not ordinarily intervene to secure the repayment of the loan and the loan will be deemed as advanced at the risk of the lender.”

BHAVNAGAR.

I have nothing to add to the summary. The States are free to raise loans. Their capacity to do so will depend upon their financial credit.

COOCH BEHAR.

The Regency Council are unable to trace the summary referred to.

**DHRANGADHRA.
WANKANER.
WADHWAN.
MULI.**

**KOTDA SANGANI.
SAYLA.
THANADEOLI.
MALIA.**

In view of the fact that the British Government has been tapping the financial resources of the States and their subjects by Post Office Savings Bank, Postal Certificates and other Government Loans without the concurrence of the States, there should be no obligation on the part of the State to obtain previous concurrence of British Government before starting a public loan inasmuch as the successful issue of these loans entirely depends upon the financial credit of the States issuing them. Article 1, therefore, requires to be deleted.

*If the Government, however, wish to interfere with the borrowing powers of the States, they should make arrangements to grant the States long-termed loans on favourable terms when the cost of productive capital works contemplated by the States cannot be ordinarily met from the State revenues.

As regards Article 2 it should be made clear in the summary that recognised banks and recognised incorporated companies or firms are exempted from the operation of that clause.

Article 3 should read as follows :

“ As regards interstatal loans, unless the previous consent of the Government of India has been obtained, the Government of India will not intervene to secure its repayment and the loan will be deemed as advanced at the risk of the lender.”

* This paragraph is not included in the reply of Dhrangadhra State.

JUNAGADH.

The Junagadh Durbar do not desire to make any suggestions on this subject outside those contained in the summary sent to them by the Honourable the Agent to the Governor-General, under his letter No. F/50 of 1925, dated the 12th January, 1925.

TRIPURA.

The reply to this question is reserved. Generally speaking, a relaxation of the existing restrictions on this subject is desirable.

BARWANI.

As pointed out by Sir Manubhai Mehta in his note dated the 16th November, 1927:—

Article 1.—The obligation in this article lacks reciprocity.

Article 2.—Recognised banks and firms owned or conducted by European British subjects should be exempted.

Article 3.—The Article to be worded as follows:—“As regards interstatal loans unless the previous consent of the Government of India has been obtained, the Government of India will not ordinarily interfere to secure its repayment and the loans will be deemed as advanced at the risk of the lender.”

MORVI.

In the case of interstatal loans it is suggested that Article 3 may be worded as follows:—

“As regards interstatal loans unless the previous consent of the Government of India has been obtained, the Government of India will not ordinarily intervene to secure its repayment and the loan will be deemed as advanced at the risk of the lender.”

Regarding the other clauses the Durbar do not desire to offer any remarks.

PUDUKKOTTAI.

The Pudukkottai Durbar have no useful suggestions or representations to make on this question. They have had no occasion to borrow in the past and they will gladly consult and be guided by the advice of the Government of India if in future they have to raise loans. Hitherto they have had some small surplus which at one time was 40 lakhs of rupees and has now dwindled to 19 lakhs which they have invested in the loans raised by the Government of India.

RADHANPUR.

The State approves of the summary made by the Chamber of Princes regarding the issue of a public loan, and loan to Ruling Princes by European British subjects, and the principle governing interstate loans, but the Act of Parliament (37 George III) prohibiting the lending of money by British Indian subjects to Ruling Princes under pain of prosecution for misdemeanour interferes seriously with the liberty of Princes to borrow money for State administration during famine years and years of calamity. There is no valid reason why a Ruling Prince should be deprived of the right of borrowing money for private or State purposes when an ordinary individual is at liberty to borrow money in any way he likes. Such borrowing should be allowed to remain unfettered and on the credit of the State, Government undertaking no responsibility for payment.

SAMTHAR.

The State concurs with the views and the case submitted by the Standing Committee of the Princes.

BANSDA.

Nothing except that the following provisions should be expressly recognised to avoid interference at some future date:—"The States can, without any restriction and as of right, lend or invest money outside the States. Such loans or investments would naturally be at the risk of the States themselves."

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

The matter of dealings between the Indian States and the capitalists and financial agents has been dealt with and the summary as approved by the Chamber of Princes, 1924, in regard to the question has been approved. This Durbar is of opinion that the Standing Committee of the Chamber of Princes and legal adviser may put any further recommendation which may be taken as its own expression.

RAJKOT.

The present restriction in force on the Indian States can in an abridged form be cited as follows. These are done by the Government's notification :—

- (1) The States are required by the Government to seek their sanction, when the States are entering into loan transactions with alien persons or firms.
- (2) States will have to intimate to Government when issuing loans for their utility, that such issuing of loans may not intervene with the Government's ideas of issuing similar loans in British India.
- (3) Interstatal issuing of loans between two States is prohibited, and any State giving loan to his brother State without Government's intervention is doing so at its own risk.

At this juncture let me place my views to the Committee, that I proposed to found a States' Bank some years ago in the Chamber of Princes, with a hope that it would receive the Chamber's accord, and do away entirely with these notifications issued by the Government, for protecting the States from getting into a financial chaos. If the bank existed it was to be a joint commercial concern, in which all States took shares and was to be a limited company. Its object was to have many branches in important States everywhere in India, and subscribe money to the States according to their demand. The Governors of the Bank were to profoundly look into the needs of the States requiring money, and only sanction that much money they thought would suffice for the State's purposes. This whole concern was to be worked by the Chamber with Government's guidance and I am sure would have abrogated the present anomaly. Responsibility was created amongst the members of the Chamber and with Government's guidance would have completely grasped the financial manipulation. As the bank did not have an existence, nothing more has to be said.

The States certainly should not be restricted from issuing loans in their own States and the Government imposing such restrictions, merely for the sake of acquiring facilities for their own purposes, appears unconscionable. The Native States' wealth is gradually depleting and such restrictions tend more for such an exhaustion.

SACHIN.

Nothing except that the following provisions should be expressly recognised to avoid interference at some future date:—"The States can, without any restriction and as of right, lend or invest money outside the States. Such loans or investments would naturally be at the risk of the States themselves."

SAWANTWADI.

Regarding this, reference is invited to paragraph 7 *supra** in which general remarks have been made on the principles to be observed in the economic and financial relations between the British Government and Indian States.

AKALKOT.

At present the State cannot issue a public loan or obtain loans from recognised banks or financial agents without the sanction of Government. But there seems no good reason why the State should obtain previous concurrence of Government before starting a public loan as the British Government takes away a large amount of money through their Post Office Savings Banks without even obtaining the permission of the State for tapping its financial resources. In the case of inter-statal loans Government are averse to allowing one State to acquire influence over the other by the grant of loans. As the Government of India have renounced all responsibility to secure repayment of the loan there seems no justification to retain the restriction. In any case the restriction on the starting of public loans should be withdrawn.

PHALTAN.

No; but without prejudice to making further representations on points which may arise hereafter.

MIRAJ (Senior).

Such dealings are of two classes—transactions between the local bankers and traders with foreign capitalists and financial agents of private firms is the first class. In the second class come the transactions which the State people have with the Government Post Office. Little difficulty has been felt hitherto in the smooth way of these dealings. Outside capitalists and financial agents freely deal with local business men. So far no complications have occurred. As no previous consent for permission has been obtained from the State these business men act on their own responsibility. There is no control over them from the State. Similarly the British Government has no control over such transactions of the State's people in British India. Any disputes are disposed of in the Civil Courts. The State itself has no dealings of this sort.

MIRAJ (Junior).

When a State intends to issue a public loan, it is required to give previous intimation thereof to the British Government to avoid the

* *Vide* "Note on financial and economic matters" after the reply of this State under Question 5.

possibility of its clashing with similar operations by the Government of India. There is no reciprocity of obligation in the suggestion. The British Government take away a large amount of money from Indian States through their Post Office Savings Banks. No permission of the Indian States for thus tapping their financial resources has ever been thought of. Why should there be any obligation on the other party of previous concurrence before starting a public loan? If the object of this restriction is only to safeguard the Indian States from intrigues or financial influence of large capitalists, the restriction may only apply to dealings with individual foreigners, but need not extend to recognised banks and registered incorporated companies or firms.

In the case of interstatal loans, the prohibition dated from the time of the Subsidiary Treaties which prohibited direct dealings between two Indian States; and it was feared financial dependence of one State may gradually lead to feudal vassalage and the British Government were averse to allowing one State to acquire such predominating influence over the other. If, however, the British Government accept no financial responsibility in the matter, there is little reason why their consent to interstatal loans is now insisted upon in these days, when mutual intercourse between two States is allowed more freedom. Even while according such assent, the Government of India take care to disown any guarantee and they clearly disclaim any financial responsibility for the loan. If there is no undertaking even of intervention to secure repayment of the loan there is no object at all in insisting on the Government consent, unless it is the old and now discredited sense of distrust and fear of vassalage and financial influence between two States.

VADIA.

VIRPUR.

LAKHTAR.

Indian States should be free to enter into monetary dealings with one another without the sanction or consent of the Government. In the case of interstatal loans, prohibition has been laid from the terms of the subsidiary notifications which prevented direct dealings between two Indian States, for fear that financial dependence of one State may gradually lead to feudal vassalage. The British Government was not in favour of allowing one State to acquire such predominating influence over the other. But this State submits that the days of the old and now discredited sense of distrust and fear of vassalage and financial influence between two Indian States are gone and when Government does not accept financial responsibility in the matter, there is no reason why its consent to interstatal loans is necessary in these days when mutual intercourse between two States is allowed more freedom. It is undeniable that even while giving such consent, the Government takes care to disown any guarantee, and it clearly disclaims any financial responsibility for the loan. There is no undertaking even of intervention to secure repayment of the loan, and consequently there is no object at all in insisting on Government's consent. It may be that the Government may rule that unless its previous consent to such loans has been obtained, it will not ordinarily

intervene to secure its repayment and the loan will be deemed to have been advanced at the risk of the lender. It is certain that the safeguard of the consent of the Government of India should now be dispensed with and States should be allowed to take such loans as they choose. The restriction should be removed. Again, the Government knows it as a fact that the restriction in question as well as the application of the principle of *Life Interest* to the Rulers of the Indian States have tended, by far, to impair their credit.

*The State adds that the principle of Life Interest has deprived the States of the very essence of their status and position. The question has been fully represented before the Government times out of number and it is not intended to deal with it at great length in this place. In any case, the application of the principle has impaired immensely the credit and status of the States, which the State feels the Government will not now desire any longer.

The States should, in the same manner, be allowed to negotiate loans with financial agents and capitalists.

As to issuing public loans, the necessity of previous intimation being given to the Government, should no longer be allowed to hold good. There is no reason why there should be any obligation on the States to obtain any previous concurrence before starting any such loans. The State adds that the Indian States are, in principle, free to raise loans; only their capacity for raising them will depend upon their financial credit.

The Committee, it is hoped, would carefully consider this question and save the States the difficulties and loss of prestige resulting from such restrictions and the application of the Life Interest Principle.

THARAD.

The remarks of this State on the summary approved in 1924 are as under:—

Article 1.—In fairness there should be reciprocity of obligation in the suggestion or the article may be omitted altogether.

Article 3.—The object of the prohibition of interstatal transactions is that one States's financial dependence upon another may not gradually lead to feudal vassalage. If the British Indian Government does not accept financial responsibility to the lender there is little reason why previous sanction should be made obligatory. It is therefore suggested that the article may be modified as follows—"The Government of India will not ordinarily intervene to secure the repayment of Interstatal loans, unless they were advanced with their previous sanction." The reply is provisional, i.e., it is liable to change in view of further points that may be revealed.

* This paragraph is not included in the reply of the Lakhtar State.

DUJANA.

The Chiefs should not be left quite free in this respect. The Government of India should see if the debt to be incurred would be used for the advantage of the State and the well-being of its people.

**JODHPUR.
JHALAWAR.
SANGLI.
BHOR.**

**JAMKHANDI.
RAMDURG.
KURUNDWAD SENIOR.
PIPLODA.**

These States indicated that they had nothing to add to the summary approved by the Chamber of Princes in November, 1924, in regard to this question.

**RAMPUR.
CAMBAY.**

SAVANUR.

These States indicated that they had nothing to say with regard to this subject.

SECTION V

SALT



FOR OFFICIAL USE

MANUFACTURE AND EXPORT OF SALT
BY THE DURBARS

Summary of Replies Received

To Paragraph 9 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE
1928.

Extract from the questionnaire issued by the Indian States Committee.

MANUFACTURE AND EXPORT OF SALT BY THE DURBARS.

9. This subject is dealt with by treaties and agreements between the States and the Government of India. Have the States any representations to make in regard to it?

HYDERABAD.

Relations with the Government of India are governed by the documents at pp. 12, 123 and 124 of Vol. IX Aitchison's Treaties. Hyderabad has undertaken not to allow the export of salt, but has not given up the right to manufacture. The views of His Exalted Highness' Government in respect of the tax levied on British Indian salt consumed within the Dominions are set out in the reply to question 14 (Excise).

BARODA.

The right of the State to manufacture and excise salt in the Gujerat portion of Baroda territory should be recognised. (Please see App. "A".)

Salt produced in Baroda territory should be allowed to be exported to places where it can find a profitable market. The export should be allowed by sea or by land. (Please see App. "B".)

At present excise duty on salt consumed by the subjects of the State in the divisions of Baroda, Kadi and Navsari is not paid over to the State. Taking the average consumption of salt per head per annum to be 13.2 lbs., the duty on the quantity consumed by these subjects would amount to Rs. 3,92,000 per annum at the rate of Rs. 1-4-0 per Bengal maund. Baroda also loses the revenue that it would otherwise derive from royalty on salt exported.

APPENDIX "A."

Port and Salt Rights of Baroda in its Gujerat Districts.

By the Partition Treaty of 1752 A.D., Damajirao Gaekwar made over half of the territories and rights which he had till then acquired in Gujerat to the third Peishwa, Balaji Bajirao. The object aimed at in effecting the partition was to secure an equal or an approximately equal division of revenue, and little regard was paid to any administrative or geographical convenience. This happened particularly in the case of the division of the districts comprised in the tract known as the Surat Attavisi. The Districts were equally divided, but it happened that the jakat or customs revenues of the Mahals south of the Tapti excepting those of the Vyara group which had been retained by Damajirao were included in the share of the Peishwa, while the jakat revenue of the Mahals of Olpad, Hansot and Ankleshwar to the north of the Tapti, and Bardoli and Valod to the south which were given to the Peishwa, was retained by Damajirao as part of his share.

2. The reason for this anomalous arrangement seems to have been that the whole tract of Surat Attavisi was conquered by Damajirao from the Nawabs of Surat. Under them, the whole region was, owing to its peculiar situation but more owing to the prevailing traffic routes, divided into three customs circles, viz., (1) mahals north of the Tapti, (2) Prant Surat, consisting of most of the mahals south of the Tapti,

and (3) the Vyara circle, consisting of the remaining mahals south of the Tapti including Bardoli and Valod. The same divisions were allowed to continue after the partition. The total revenue from jakat of the Surat Attavisi was estimated in 1752 A.D. to amount to about one lakh of rupees, of which Rs. 55,000 being the revenue of the second of the above three circles was assigned to the Peishwa, and the revenue of the remaining two circles amounting to Rs. 45,000 (33,000 + 12,000) was retained by Damajirao himself.

3. The inconvenience arising from the situation created by the above distribution of revenues could only have been obviated by assigning all the territories comprised in any one of the jakat circles *en bloc* to one of the contracting parties to the treaty, but this may not have been found feasible on strategical or political grounds in the circumstances of the time. North of Nerbudda where the administrative and customs divisions coincided with each other, the jakat revenues of the several talukas were allotted to the party to whom the jamabandi revenues were granted. The levy, under the above arrangement, by one Government, of duties at particular places in the territories of the other, implied only the exercise of certain fiscal powers by the former in the territory of the latter. The criminal and civil jurisdiction over the mahals remained with the Government to which the jamabandi or main revenues appertained.

4. The jakat revenue of Rs. 55,000 per annum referred to above as having been allotted to the Peishwa's share consisted of inland customs and transit duties levied in the region south of the Tapti (excepting in the mahals comprised in the Vyara circle) whether forming part of the Peishwa's or the Gaekwar's share and also of fees from salt-works and sea-customs recovered at all the ports in the creeks in that region, whether in the Peishwa's or in the Gaekwar's territory.

5. By the 4th article of the Treaty of Bassein of 1802, the Peishwa ceded to the British Government for the maintenance of a subsidiary force all his territories and interests south of the Tapti including the customs of Prant Surat, the revenue from which had then increased from Rs. 55,000 to Rs. 83,000. He also ceded all his mahals situated between the river Tapti and the Nerbudda with the exception of Olpad. This latter mahal too became part of British territory in 1818 on the overthrow of the Peishwa. By these cessions the British Government became entitled to derive customs revenue not only from a large portion of their own territories south of the Tapti, but also from the territories of the Baroda State south of the river, excluding the places comprised in the customs circle of Vyara. In 1803 the Baroda Government ceded the jakat of the Kim Katodra circle, i.e., of the whole region between the Tapti and the Nerbudda whether subject to Baroda or to the British Government in part payment of the charges of the subsidiary force entertained by them. This cession was confirmed by the Definitive Treaty of 1805 between the Baroda Government and the East India Company. In the Vyara circle south of the Tapti, including the talukas of Bardoli and Valod which had been ceded by the Peishwa to the British Government, the Gaekwar Government continued to levy customs according to the terms of the partitions.

6. Later on in the exchange of territories and rights effected by article 4 of the treaty of 1817, the Baroda Government became entitled

to the revenue of the Sayer of the "Petlad District." These included the land customs levied in the talukas of Borsad and Anand in the Kaira District, which talukas formed part of the territories ceded to the British Government by the 3rd article of the above treaty. The Baroda Government thus became entitled to levy jakat in two more talukas belonging to the British Government.

7. This state of things continued up to the year 1846. In that year, in pursuance of the provisions of Act I of 1838, the British Government abolished the land customs duties levied by them in the Baroda parganas of Gandevi, Navsari, Teladi and Maroli and at the nakas of Haturan and Variav in Baroda territory north of the Tapti (which nakas had been ceded to the British Government by the Gaekwar Government in 1803 as part of the item known as jakat Kim Katodra). Subsequently in 1866, the British Government transferred to this State all their nakas in the remaining Baroda parganas south of the Tapti, viz., the parganas of Balesar, Timba, Mahuva and Kamrej, together with the Chowki at Kim, north of the river, in exchange for the jakat nakas till then maintained by His Highness' Government in the British talukas of Borsad and Anand and of Bardoli and Valod. Subsequently in 1879, the British Government decided not to re-open any of the salt-works situated in Baroda territory in the region south of the Tapti. Thus partly by exchange and partly by waiver, the British Government surrendered most of the rights acquired and exercised by them in Baroda territory under the Treaty of Bassein with the Peishwa in 1802 and the Definitive Treaty made with this Government in 1805 A.D. Similarly, by the exchange effected in 1866 A.D., the Baroda Government relinquished the rights possessed by them in the British districts north and south of the river Tapti. The levy of customs duty by the British Government at the Baroda ports of Billimora and Navsari is the only relic remaining at the present day of the anomalous situation created by the Partition Treaty of 1752 A.D.

8. So long as the Peishwa's Government was in existence, the state of things created by the partition was naturally well-known to and well-understood by his officers. The early British authorities, too, were aware of the origin of the rights of the British Government in portions of Baroda territory south of the Tapti, and they had, therefore, no misapprehension as to the real nature of these rights, and were careful in consequence not to push these rights beyond their legitimate import. About the middle of the 19th century, however, the origin of the anomalous arrangements was lost sight of, and from the enjoyment of the British Government of rights of an unusual character in Baroda territory, adverse inferences commenced to be drawn. The rights were erroneously supposed to be extra-territorial rights arising out of the authority formerly exercised by the Peishwa in his capacity as Head of the Maratha Empire. When, therefore, in 1855, the Baroda Government opened a port at Dabka on the Mahi river, and contemplated the establishment of salt-works at the same place, the Government of Bombay referred the matter to the Government of India, who judging from the existence of the above mentioned rights in Baroda territory, and without consulting the Baroda Government as to their origin, enunciated the position that the British Government as successors of the Peishwa had the power to permit or forbid the opening of ports or

the establishment of salt-works throughout Gujerat, and that, therefore, the port and salt-works in question should be closed. The decision was confirmed in 1861 by the Secretary of State, who, too, had not got full information before him.

9. This decision was passed by the Government of India and confirmed by the Secretary of State without hearing the objections of the then Maharaja. As he had no doubt about his own competence to open ports or salt-works in his territory, he had not anticipated the arguments of the Governments of Bombay and India. His first protest, dated the 30th January, 1860, was not forwarded by the Resident to the higher authorities. His Highness thereupon addressed a Kharita, dated the 26th September, 1861, to H.E. the Governor of Bombay, in reply to which a yadi was received informing him that he might manufacture salt at Dabka for the use of his Government, but that he should bind himself not to open salt works anywhere else. This letter appears to have been written before the Secretary of State's despatch No. 53, dated the 8th April, 1861, had reached the Government of Bombay through the proper channel. For, three days afterwards, another yadi was received from the Residency in which the conditional permission given to open salt-works at Dabka was revoked, and it was stated that as a despatch, dated 8th April, 1861, confirming the decision of the Government of India, dated 31st May, 1859, had been received from Her Majesty's Secretary of State for India, H.E. the Governor-General was not prepared to re-open the controversy relating to the manufacture of salt in Baroda territory. His Highness twice protested against the decision, but the British authorities declined to re-open the question. Neither Maharaja Khanderao nor his successor Maharaja Malharrao, however, felt satisfied with the decision; and no action was accordingly taken by either of them upon it, and no proclamation or other order prohibiting the manufacture of salt in Baroda territories was issued.

10. Matters rested at this stage till 1878, in which year Raja Sir T. Madhav Row, who was in charge of the administration of the State, *during the minority of His Highness the present Maharaja*, was called upon to take steps to make penal the manufacture and collection of salt in Baroda territories in Gujerat. He doubted the authority of the British Government to make such a request, but was given to understand, in unequivocal terms, that no discussion as to the merits of the claim of the British Government would be permitted. He, therefore, enacted the necessary rules as desired by the British Government.

11. The Baroda Government have now re-opened the question. In the correspondence which has taken place they have conclusively shown that the decision of 1861 was due to a misapprehension of the historical position created by the partition of 1752; that the rights enjoyed by the Peishwa to which the British Government succeeded in 1802 were merely fiscal rights; that they were confined to the region south of the Tapti, and were now limited by the exchanges effected to the levy of sea-customs duty at the ports of Billimora and Navsari; that the Peishwa had not the right to permit or forbid the opening of ports in Baroda territory, and that any rights of this nature which he may have had over Baroda territory were renounced by him by the treaty of 1817 with the British Government; that accordingly the Baroda

Government have the right to open ports in their territories north of the Tapti and to levy sea-customs there according to the engagement of 1865; and that they have also the right to manufacture and excise salt in their territory. His Highness' Government have now moved the Government of India for the recognition of these rights and the subject is now under the consideration of the Government of India. His Highness' Government have also suggested that the right to levy sea-customs at the ports of Billimora and Navsari should be transferred to Baroda either in exchange for adequate consideration, or by waiver, so that the inconvenience arising from the British Government having rights of this nature in Baroda territory may be obviated and the obstacle in the way of the full development of the adjoining territory may be removed.

APPENDIX "B."

Export of Salt.

The district of Okhamandal in Kathiawar belonging to Baroda affords natural facilities for the production of edible salt of a superior quality. Before the British Government introduced their system of excise of salt in British India, this salt could be exported to any part of India, including the territories of the British Government, but after the introduction of the excise system the entry of this salt into British India or into other portions of Baroda territory was not allowed, and the export was in practice confined to places outside India. In 1887, in order to give effect to a decision arrived at during the minority of His Highness, an arrangement was made by the British Government with Baroda under which the export of salt to any places in British India or in foreign European settlements in India was prohibited. The Baroda Government considering this prohibition against the spirit of their engagements pressed their request to be allowed to export salt to parts of British India in which it would find a profitable market. After much correspondence, the Government of India have agreed to the salt being exported to Calcutta by sea only, on payment of the prescribed British excise duty, in the same manner as salt from foreign countries like Germany, Austria, Spain, Italy or Egypt, is imported into Bengal. The salt is not allowed to be exported to other parts of India or to be exported to Calcutta by land. Owing to these restrictions the resources of Okhamandal cannot be developed to their full capacity and the State loses revenue which it would otherwise derive from royalty on salt exported.

MYSORE.

The only point which the Durbar would desire to mention in this connection is that the salt tax, like the excise on petroleum, is a tax imposed upon the State's subjects for Imperial purposes and amounts to something like ten lakhs of rupees a year. It is desired that this should be taken into account in the general financial settlement.

INDORE.

There is no agreement between the Government of India and this State preventing manufacture or export of salt. Moreover, there are no salt sources in the State territory. Consequently the question does not arise so far as this State is concerned.

KOLHAPUR.

How the financial interests of the States have been sacrificed to serve the purposes of the Government of India in other respects also may be illustrated by a few instances. When the manufacture of salt on State land at Malwan was prohibited as stated above, the Government also ordered that the earth salt manufactured in some of the villages of Kolhapur should also be stopped and no compensation was given to the State on the ground that the revenue derived therefrom was small. Whether small or large, it was an industry in the State which possibly could have been developed and which was capable of yielding some revenue. It was, however, crushed out of existence only to suit the Government's salt policy by Government Resolution No. 6158/96 confl. dated 19th November, 1879. It may not have caused much loss of revenue to the State; but all the same, it shows, how, during the minority of the Ruler, the State was made to take action under orders of Government merely to suit the policy of British India in clear violation of Durbar's rights. Strange as this was, stranger was the order by which the manufacture of saltpetre which had nothing to do with human consumption as a substitute for salt was also prohibited under the same orders and in the same circumstances in Kolhapur. This industry had nothing to do with the policy of prohibiting private manufacture of salt in British India and yet because saltpetre has some resemblance to salt, though not in its use, its manufacture was prohibited during the Ruler's minority by an Administration responsible to Government.

TRAVANCORE.

Travancore has no representation to make on this subject as she does not feel the need for any change in the existing engagements regulating the matter.

JODHPUR.

(1) The salt sources in the Jodhpur State are leased to the Government of India under three Treaties:—

- (1) Treaty No. LXVII of 1870—Sambhar Lake.
- (2) Treaty No. LXVIII of 1870—Nawa Goodha (Sambhar).
- (3) Treaty No. LXIX of 1879—Pachpadra, Didwana, Phalodi, Luni.

Copies of these Treaties are attached and also a brief analysis of the operation of the different Articles of the Treaties.

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(2) The Durbar's views on these Treaties may be summarised as follows:—

- (i) The Treaties are leases in perpetuity. They provide conditions under which the Government of India can terminate the leases, but the Durbar is precluded from terminating them. The Treaties thus secure to the Government of India a monopoly in perpetuity of the most valuable natural product of the State on terms which are altogether inadequate.
- (ii) If Government ceases to manufacture salt at any of the sources, the Treaties provide for no compensation for loss of royalty to the Durbar and the Durbar is precluded from working the salt sources itself.

NOTE.—The salt sources at Phalodi and Luni have already been closed while Pachpadra and Didwana are only partially worked.
- (iii) The Durbar is precluded from charging any transit duty on salt passing through the State or any duty on exports from the State.
- (iv) The Government of India levies a duty of Rs. 1/4/- a maund (the present rate on all salt). The Durbar, although precluded from imposing its own duty on salt extracted from sources in the State, have no share in this duty.
- (v) The Durbar is not permitted to criticise the accounts of the salt sources, but has to accept the accounts produced by Government as correct.
- (vi) The separation of the royalty from the duty levied, and the exclusion of the Durbar from sharing in the latter is an inequitable arrangement. The working of the Pachpadra and Didwana sources illustrates this point. These sources are at present run at a loss to Government and the Durbar receives no royalty. By the inclusion of the duty in the accounts, the loss is converted into a profit, but the Durbar have no share in this net profit. The rent paid by Government is not adequate compensation for being deprived of a share in the net profit calculated on this basis.
- (vii) Owing to Government having closed two salt sources and only partially working two others, the Durbar lose large sums annually in traffic on the State Railway.
- (viii) In view of the disabilities and loss of revenue suffered under the existing arrangements, the Durbar seek a revision of the Treaties on the following lines:—
 - (a) The Durbar should receive a fifty per cent. share in the Salt Duty realised by the Government of India.
 - (b) The Durbar should receive a fifty per cent. share in the profits realised by Government on the sale price of salt.
 - (c) In the event of Government closing down any of the salt sources, the Durbar should be allowed to work the salt, paying to Government one-half of the duty realised at the rate imposed by Government, or

- (d) In the event of Government partially closing down any of the salt sources (as in the case of Pachpadra and Didwana) the Durbar should be paid royalty (50 per cent. of the profits realised on the selling price of salt) and duty (50 per cent. of the Government rate) calculated on the normal output of the salt sources.

Analysis of the Salt Treaties.

- (1) Treaty No. LXVII of 1870—Sambhar Lake.
(2) Treaty No. LXVIII of 1870—Nawa Goodha (Sambhar).

These treaties are in respect of different portions of the Sambhar Lake; the latter is in Jodhpur territory and the former is joint Jaipur and Jodhpur territory.

Both these treaties are similar in their provisions and the parallel sections of the treaties deal with the same points. For purposes of review both treaties may, therefore, be taken together.

Article 2: Period of the lease.

This article provides for the continuance of the lease for as long as Government desires to hold it, subject to Government giving two years' notice of its intention to terminate it.

NOTE.—The Durbar cannot terminate the lease under any conditions.

Article 9: No transit duty on Salt exported from the leased area.

This article provides that the Durbar shall not levy any transit duty or dues of any kind on Salt exported from the leased area while in transit through Jodhpur territory *en route* to any place outside Jodhpur territory.

NOTE.—This article precludes the Durbar from charging export duty on Salt manufactured within Durbar territory.

Was this adequately taken into consideration in fixing either the rent (Article 11) or royalty (Article 12)? It is doubtful if it was, otherwise one would expect some reference to compensation for loss of customs duty to the Durbar in one of the payment clauses, as in the case of Treaty LXIX (Pachpadra and other sources), Article 10.

It is to be noted that in Article 11 (rent) reference is made to the fact that the rent payable covers compensation to the Thakur of Kuchaman and others for transit dues and all huqs of every kind.

Article 11: Rent.

This clause provides for an annual payment of rent Rs. 4,25,000 for the leased area.

Article 12: Royalty.

This article provides for the payment of royalty to the Durbar on all salt manufactured and exported from the leased area in excess of a prescribed minimum.

Originally, the basis of assessment of this Royalty for Sambhar (Treaty No. LXVII) and Nawa Goodha (Treaty No. LXVIII) was different.

Treaty No. LXVII—Sambhar—Article 12.

If the exports in any year exceed 9,00,000 maunds, Government shall pay to the Durbar a royalty on any excess at the rate of 40 per cent. on the price per maund fixed as the selling price.

Treaty No. LXVIII—Nawa Goodha—Article 12.

If the exports in any year exceed Rs. 8,25,000 maunds, Government shall pay to the Durbar a royalty on any excess at the rate of 20 per cent. on the price per maund fixed as the selling price. With effect from 1st July, 1884, this arrangement was revised (*vide* A. G. G.'s letter No. 3296G, dated 24th October, 1884, to the Commissioner, Northern India Salt Revenue).

The revised arrangement provided that on all sales in excess of 17,25,000 maunds (9,00,000 and 8,25,000) a royalty shall be paid at the rate of 40 per cent. of the price per maund fixed as the selling price and this royalty shall be divided between the Jaipur and Jodhpur Durbars in the proportion of 6 annas and 10 annas in the rupee.

NOTE.—This fixation of a minimum figure may conceivably operate unfairly to the Durbar in the event of Government closing down the salt works as in the case of Pachpadra (worked under another Treaty).

No provision is made either in this or any other article for compensation to the Durbar in the event of closing down the salt works—and the Durbar is precluded from working the salt in the event of Government closing the works.

General Note.

Comments on these Treaties are:—

- (1) That the lease is a lease in perpetuity and the Durbar is precluded from terminating it on any grounds whatever—whereas the treaty provides conditions under which Government can terminate it.
 - (2) That it is unfair that royalty should only be calculated on the exports in excess of a minimum figure; the royalty should be calculated on gross exports.
 - (3) That the fixation of this minimum figure may operate unfairly to the Durbar in the event of the partial closing down of the salt works.
 - (4) That the treaty provides for no compensation to the Durbar in the event of Government closing down the salt works.
 - (5) That in the event of Government closing the salt works, the Durbar is precluded from working the salt sources itself.
 - (6) That the Durbar can levy no export duty on salt manufactured in the State and that this fact is not adequately taken into consideration in the rent and royalty fixed.
 - (7) That the Durbar, although precluded from levying an export duty, has no share in the salt duty levied by Government.
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Analysis of the Salt Treaties.

Treaty No. LXIX of 1879:—

- (1) Pachpadra.
- (2) Didwana.
- (3) Phalodi. (Closed in 1892.)
- (4) Luni. (Closed in 1886.)

Article 1: Exclusive right to work Salt.

This article provides that the Durbar shall prohibit the manufacture of salt in any part of the State except at the sources administered by Government or worked under special licence from Government.

NOTE.—This article precludes the Durbar from working any salt source—even if Government does not work it.

Articles 2 and 3: Government duty on salt. Transit duty on salt.

These articles provide that the Durbar will not allow the importation into or exportation from the State of any salt other than salt on which Government has levied duty and further prohibits the levy of transit duty by the Durbar on salt on which Government duty has been levied.

NOTE.—These articles mean that while Government can impose any duty on imports or exports, the Durbar have no share in this duty and is further precluded from charging its own duty on exports—see also Article 10 below.

Article 4: Leased areas and compensation to private proprietors.

This article defines the area leased and provides for “equitable compensation” to all proprietors of private work therein situated and all manufacturers therein employed for any losses they may in consequence sustain.

NOTE.—This clause provides no compensation to the Durbar in the event of closing the salt works—neither does it permit the Durbar to work the salt sources in the event of Government ceasing to work them.

Article 6: Rent.

This article defines the rent payable by Government for the lease of the salt sources this treaty covers

	Rs.	Rs.
(1) Pachpadra	1,70,000	
(2) Didwana	2,00,000	
(3) Phalodi	4,500	
(4) Luni	1,500	3,76,000
For losses sustained by the suppression of khari (saltpetre) works in Khalsa land		15,800 15,800
		Rs. 3,91,800

Article 7: Rent to private proprietors of salt sources suppressed.

This article provides for an annual rent of Rs.19,595-5-3 payable by Government to cover losses to Jagirdars and others entitled to share in the rents and revenues of the salt works suppressed under the agreement.

Article 8: Compensation to kharols and others.

This article provides for a lump sum payment of Rs. 3,00,000 for compensation to kharols and others connected with the manufacture of salt in the State.

Article 10: Compensation to the Durbar.

This article provides for the payment by Government to the Durbar of the following items annually in compensation for:—

- (a) Suppression of minor salt works.
- (b) Indemnities payable to proprietors.
- (c) Exemptions from transit duty of salt covered by British passes.
- (d) Prevention of export of other salt.

Payments:—

	Rs.
(1) On account of transit and export duties	25,000
(2) On account of preventive establishment	50,000
(3) On account of miscellaneous revenue and incidental emoluments	50,000
	<hr/>
	Rs. 1,25,000

NOTE.—The compensation payable under this clause for transit and export duties is quite inadequate if the salt sources are worked to their full or even normal capacity.

Article 11: Royalty.

This clause provides for the payment of Royalty to the Durbar in the following terms:—

“In the event of the total money realisations from the sale of salt at the leased works *collectively* exceeding in any year the total charges properly debitable against the same, one-half of the said excess shall be paid to the Durbar.”

“The accounts rendered by the Government Officers in charge of the said sources shall be conclusive evidence as to the amount of such excess.”

NOTE.—The basis on which this royalty is assessed is inequitable.

Whereas under the other Salt Treaties, the Durbar share in the selling price realised, this basis of assessing royalty puts a premium on extravagant management, whereby the Durbar is a loser.

The Durbar is not permitted to criticise the accounts of production, but has to accept the accounts presented by Government as statements of facts.

Article 15: Inequitable operation of the agreement.

This article provides that if experience proves that the arrangements made under the agreement for the safety of British revenue are insufficient, the agreement may be revised.

NOTE.—The lease is an indefinite one in period and no notice of termination by Government is provided for. Further, although this clause protects Government in the event of experience proving that the agreement works unfavourably to Government, there is no provision for revision of the agreement in the event of its working unfavourably to the Durbar.

General Notes.

Comments on this Treaty are:—

- (1) That the lease is a lease in perpetuity and the Durbar is precluding from terminating it, whereas Government may terminate it if it works unfavourably to Government.
- (2) That the basis of calculation of royalty is inequitable.
- (3) That the treaty provides for no compensation to the Durbar in the event of Government closing the salt works.
- (4) That in the event of Government closing the salt works the Durbar is precluded from working the salt sources itself.
- (5) That the compensation for export and transit duties is altogether inadequate.
- (6) That the Durbar has no share in the salt duty levied by Government.

Special Note.

Two of the four salt works, Phalodi and Luni, have already been closed. Didwana is practically closed and Pachpadra is only working in a comparatively small way.

Apart from the loss in royalty the closing of these works entails to the Durbar—and the loss entailed by the Durbar being precluded from working the sources itself—a very substantial loss in traffic to the Jodhpur Railway is also involved. All these salt works are well inside the State—not on the borders of the State as in the case of Sambhar. Therefore, if these sources were worked to their capacity the Jodhpur Railway would earn a considerable sum in traffic. This is particularly so in the case of Pachpadra. There is a very substantial demand for Pachpadra salt. If the Durbar were allowed to work this source, it would pay the Durbar to work it to its full capacity. As matters stand, the output from Pachpadra is restricted by Government because it is found to be a more expensive proposition than Sambhar.

ANNEXURES.

1. Treaty No. LXVII of 1870.
 2. Treaty No. LXVIII of 1870.
 3. Letter No. 3296—G dated 24.10.1884.
- From The Honourable the Agent to the Governor-General, Rajputana, to the Commissioner, Northern India, Salt Revenue, modifying Article 12 of Treaties LXVIII and LXIX.
4. Treaty No. LXIX of 1879.

ANNEXURE 1.

Treaty No. LXVII.

Treaty between the British Government and His Highness Maharajah Tukht Singh, G.C.S.I., of Jodhpur, his heirs and successors, executed on the one part by Colonel John C. Brooke, Officiating Political Agent

at the Court of Jodhpur, under authority from Lieutenant Colonel Richard Harte Keatinge, C.S.I., and V.C., Agent to the Governor-General for the States of Rajputana in virtue of the full powers vested in him by His Excellency the Right Honourable Richard Southwell Bourke, Earl of Mayo, Viscount Mayo of Monycrower, Baron Nass of Naas, K.P., G.M.S.I., P.C., &c., &c., Viceroy and Governor-General of India, and on the other part by Joshee Hunsraj, Moosahib of Marwar, in virtue of the full powers conferred on him by Maharajah Tukht Singh, aforesaid, 1870.

Article 1.

Subject to the conditions contained in the following Agreement, the Government of Jodhpur will lease to the British Government its right of manufacturing and of selling salt within the limits of the territory bordering on the Sambhar Lake, as hereinafter defined in Article 4, and of levying duties on salt produced within such limits.

Article 2.

This lease shall continue in force until such time as the British Government desires to relinquish it, provided that the British Government shall give notice to the Government of Jodhpur of its intention to terminate the arrangement two full years previous to the date on which it desires the lease to cease.

Article 3.

To enable the British Government to carry on the manufacture and sale of salt at the Sambhar Lake, the Jodhpur Government shall empower the British Government and all officers appointed by the British Government for such purposes to enter and search, in case of suspicion, houses, and all other places, enclosed or otherwise, within the limits hereinafter defined, and to arrest and punish with fine, imprisonment, confiscation of goods, or otherwise, any and all persons detected within such limits in the violation of any of the rules or regulations which may be laid down by the British Government in regard to the manufacture, sale, or removal of salt or the prevention of unlicensed manufacture or smuggling.

Article 4.

The strip of territory bordering on the shores of the lake, including the town of Sambhar and twelve other hamlets, and comprehending the whole of the territory now subject to the joint jurisdiction of the States of Jodhpur and Jeypore shall be demarcated, and the whole space inclosed by such line of demarcation, as well as such portions of the lake itself or of its dry bed as are now under the said joint jurisdiction, shall be held to constitute the limits within which the British Government and its officers are authorized to exercise the jurisdiction referred to in Article 3.

Article 5.

Within the said limits, and so far as such measures may be necessary for the protection or furtherance of the manufacture, sale, or removal of salt, the prevention of smuggling, and the enforcement of the

rules laid down in accordance with Article 3 of this Agreement, the British Government, or the officers by it empowered, shall be authorized to occupy land for building or other purposes, to construct roads, erect barriers, hedges, or buildings, and to remove buildings or other property.

If any land paying land revenue to the Government of Jodhpur be occupied under the authority of the British Government for any of the purposes aforesaid, the British Government shall pay to the Government of Jodhpur an annual rent equal to the amount of such revenue.

In every case in which anything involving injury to private property shall be done by the British Government or its officers under this Article, one month's previous notice shall be given to the Government of Jodhpur, and in all such cases proper compensation shall be paid by the British Government on account of such injury. In case of difference between the British Government or its officers and the owner of such property as to the amount of the compensation, such amount shall be determined by arbitration.

The erection of any buildings within the said limits shall not confer on the British Government any proprietary right in the land which, on the termination of the lease, shall revert to the Government of Jodhpur, with all buildings or materials left thereon, by the British Government.

No temples or places of religious worship shall be interfered with.

Article 6.

Under the authority of the Jodhpur Government, the British Government shall constitute a Court, presided over by a competent officer, who shall usually hold his sittings within the above-mentioned limits, for the trial and punishment, on conviction, of all persons charged with violations of the rules and regulations referred to in Article 3, or offences connected therewith; and the British Government is authorized to cause the confinement of any such offenders sentenced to imprisonment either within the aforesaid limits or within its own territories as may seem to it most fitting.

Article 7.

From and after the date of the commencement of the lease the British Government will, from time to time, fix the price at which salt manufactured within the said limits, and intended for exportation beyond the limits of the Jodhpur and Jeypore States shall be offered for sale.

Article 8.

Of the stocks of salt owned jointly by the Governments of Jodhpur and Jeypore, and existing within the said limits at the commencement of the lease, the share belonging to the Jodhpur Government, being the half of the stocks above-mentioned, shall be transferred by the said Government to the British Government on the following terms:—

The Jodhpur Government will transfer its share in five hundred and ten thousand (5,10,000) British Indian maunds of salt to the British Government free of cost. The price to be paid for the share of the Jodhpur Government in the remainder of the said stocks shall be reckoned as six and a half annas ($6\frac{1}{2}$) per British Indian maund, and payment shall be made at this rate by the British Government to

the Government of Jodhpur, provided that the said payment of six and a half annas per maund to the Government of Jodhpur shall only commence when salt in excess of eight hundred and twenty-five thousand (8,25,000) British Indian maunds is sold or exported by the British Government in any year, and then only on the share of such excess which belongs to the Government of Jodhpur and until the aggregate of such yearly excesses amounts to the full quantity of the stocks of salt transferred over and above the said five hundred and ten thousand (5,10,000) British Indian maunds, the British Government shall not pay the royalty of 20 per cent. on the sale price of such excess, as provided in Article 12.

Article 9.

No tax, toll, transit duty, or due of any kind whatsoever shall be levied by the Jodhpur Government or shall by it be permitted to be levied by any other person, on any salt manufactured or sold by the British Government, within the said limits, or while in transit through the Jodhpur territory, and covered by a British pass, en route to any place outside the Jodhpur territory.

Article 10.

Nothing in this Agreement shall be held to bar the sovereign jurisdiction of the Jodhpur Government within the aforesaid limits in all matters, civil and criminal, not connected with the manufacture, sale, or removal of salt, or the prevention of unlicensed manufacture or smuggling.

Article 11.

The Government of Jodhpur shall be relieved of all expenses whatsoever connected with the manufacture, sale, and removal of salt, and the prevention of unlicensed manufacture or smuggling within the limits aforesaid; and in consideration of the lease granted to it the British Government agrees to pay to the Jodhpur Government in two half-yearly instalments, an annual rent of one hundred and twenty-five thousand (1,25,000) rupees, British currency, on account of the share of the Jodhpur Government in the salt sold within the said limits, and the total sum of such annual rent, amounting to one hundred and twenty-five thousand (1,25,000 rupees), British currency, shall be paid without reference to the quantity of salt actually sold in, or exported from, the said limits.

Article 12.

If the amount of salt sold in, or exported from, the said limits by the British Government in any year shall exceed eight hundred and twenty-five thousand (8,25,000) British Indian maunds, the British Government shall pay to the Government of Jodhpur on all such excess (subsequent to the exhaustion of the stock referred to in Article 8) a royalty at the rate of 20 per cent. on the price per maund which shall have been fixed as the selling price under the first clause of Article 7.

In the event of any doubts arising as to the amount of salt on which royalty is claimable in any year, the accounts rendered by the principal British Officer in charge at Sambhar shall be deemed conclusive evidence of the amounts actually sold or exported by the British Government within the periods to which they refer, provided that the Jodhpur Government shall not be debarred from deputing one of its own officers to keep a record of sale for its own satisfaction.

Article 13.

The British Government agree to deliver annually seven thousand (7,000) British Indian maunds of good salt, free of all charges, for the use of the Jodhpur Durbar; such salt to be delivered at the place of manufacture to any officer empowered by the Jodhpur Government to receive it.

Article 14.

The British Government shall have no claim on the land or other revenue, unconnected with salt, payable from town of Sambhar or other villages or lands included within the limits aforesaid.

Article 15.

The British Government shall not sell salt within the Jodhpur territory outside the limits of such jurisdiction as may be assigned to it by this or any other Agreement.

Article 16.

If any person employed by the British Government within the said limits shall have absconded after committing an offence or if any person shall have absconded after committing a breach of the rules laid down under Article 3, the Jodhpur Government shall, on sufficient evidence of criminality, make every effort to cause his arrest and surrender to the British authorities within the said limits, in case of his passing through, or taking refuge in, any part of the Jodhpur territories.

Article 17.

None of the conditions of this Agreement shall have effect until the British Government shall actually assume charge of the manufacture of salt within the said limits.

The British Government may determine the date of so assuming charge provided that, if such charge be not assumed on or before the 1st May, 1871, the conditions of this Agreement shall be null and void.

Article 18.

None of the conditions contained in this Agreement shall be in any way set aside or modified without the previous consent of both Governments, and should either party fail or neglect to adhere to these conditions the other party shall cease to be bound by this Agreement.

Signed, sealed, and exchanged at Jodhpur this twenty-seventh day of January, A.D. eighteen hundred and seventy, corresponding to the eleventh day of Maha Bud Sumvut, nineteen hundred and twenty-six.

(Persian Seal)

(Official Seal
of State of
Jodhpur).

Jodhpur
Agency Office.

J. C. BROOKE, Colonel,
Officiating Political Agent, Marwar.

(Seal) (Sd.) MAYO.

(Sd.) Joshee Hunsraj, (Govt.
in native characters. Seal).

This Treaty was ratified by His Excellency the Viceroy and Governor-General of India at Fort William on the fifteenth of February, 1870.

C. U. AITCHISON,

(Seal)

Officiating Secretary to the Government of India,
Foreign Department.

ANNEXURE 2.

Treaty No. LXVIII.

Treaty between the British Government and His Highness Tukht Singh, G.C.S.I., Maharajah of Jodhpur, his heirs and successors, executed on the one part by Colonel John Cheap Brooke, Officiating Political Agent at the Court of Jodhpur, under authority from Lieutenant-Colonel Richard Harte Keatinge, C.S.I. and V.C., Agent to the Governor-General for the States of Rajputana, in virtue of the full powers vested in him by His Excellency the Right Honourable Richard Southwell Bourke, Earl of Mayo, Viscount Mayo of Monycrower, Baron Nass of Nass, K.P., G.M.S.I., P.C., &c., &c., Viceroy and Governor-General of India, and on the other part by Joshee Hunsraj, Moosahib of Marwar in virtue of the full powers conferred on him by Maharajah Tukht Singh aforesaid—1870.

Article 1.

Subject to the conditions contained in the following Agreement the Government of Jodhpur will lease to the British Government its right of manufacturing and of selling salt within the limits of the territory bordering on the Sambhar Lake, as hereinafter defined in Article 4, and of levying duties on salt produced within such limits.

Article 2.

This lease shall continue in force until such time as the British Government desires to relinquish it provided that the British Government shall give notice to the Government of Jodhpur of its intention to terminate the arrangement two full years previous to the date on which it desires the lease to cease.

Article 3.

To enable the British Government to carry on the manufacture and sale of salt at the Sambhar Lake the Jodhpur Government shall empower the British Government and all officers appointed by the British Government for such purposes to enter and search, in case of suspicion, houses and all other places, enclosed or otherwise, within the limits hereinafter defined and to arrest and punish with fine, imprisonment, confiscation of goods or otherwise, any and all persons detected within such limits in the violation of any of the rules or regulations which may be laid down by the British Government in regard to the manufacture, sale, or removal of salt, or the prevention of unlicensed manufacture or smuggling.

Article 4.

A strip of territory, bordering the shores of the lake throughout, within the separate jurisdiction of Jodhpur, including Nawa, Goodha and other villages and hamlets, and averaging two (2) miles in width measured from the high water limits of the lake, shall be demarcated, and the whole space enclosed by such line of demarcation, as well as such portions of the lake itself or of its dry bed as are now under the exclusive and separate jurisdiction of Jodhpur, shall be held to constitute the limits within which the British Government and its officers are authorised to exercise the jurisdiction referred to in Article 3.

Article 5.

Within the said limits, and so far as such measures may be necessary for the protection or furtherance of the manufacture, sale, or removal of salt, the prevention of smuggling, and the enforcement of the rules laid down in accordance with Article 3 of this Agreement, the British Government, or the officers by it empowered, shall be authorised to occupy land for building or other purposes, to construct roads, erect barriers, hedges or buildings, and to remove buildings or other property.

If any land paying land revenue to the Government of Jodhpur be occupied under the authority of the British Government for any of the purposes aforesaid, the British Government shall pay to the Government of Jodhpur an annual rent equal to the amount of such revenue.

In every case in which anything involving injury to private property shall be done by the British Government or its officers under this Article, one month's previous notice shall be given to the Government of Jodhpur, and in all such cases proper compensation shall be paid by the British Government on account of such injury. In case of difference between the British Government or its officers and the owner of such property as to the amount of the compensation, such amount shall be determined by arbitration.

The erection of any buildings within the said limits shall not confer on the British Government any proprietary right in the land, which, on the termination of the lease, shall revert to the Government of Jodhpur with all buildings or materials left thereon by the British Government.

No temples or places of religious worship shall be interfered with.

Article 6.

Under the authority of the Jodhpur Government the British Government shall constitute a Court, presided over by a competent officer, for the trial and punishment, on conviction, of all persons charged with violations of the rules and regulations referred to in Article 3, or offences connected therewith; and the British Government is authorised to cause the confinement of any such offenders sentenced to imprisonment within the aforesaid limits or elsewhere as may seem to it most fitting.

Article 7.

From and after the date of the commencement of the lease the British Government will, from time to time, fix the price at which salt manufactured within the said limits shall be offered for sale.

Article 8.

The whole of the stocks of salt existing within the aforesaid limits at the commencement of the lease shall be transferred by the Jodhpur Government to the British Government on the following terms:—

The Government of Jodhpur will transfer six hundred thousand (6,00,000) British Indian maunds of salt to the British Government as stock with which to commence operations free of cost. The price to be paid to the Jodhpur Government for the remainder of the said stock shall be reckoned at six and a half annas ($6\frac{1}{2}$) per British Indian maund, and payment shall be made at this rate by the British Government to the Government of Jodhpur, provided that the said payment of six and a half annas ($6\frac{1}{2}$) per maund to the Government of Jodhpur shall only commence when salt in excess of nine hundred thousand (9,00,000) British Indian maunds is sold or exported by the British Government in any year, and until the aggregate of such yearly excesses amounts to the full quantity of the stock of salt transferred, over and above the said six hundred thousand (6,00,000) British maunds, the British Government shall not pay the royalty of forty (40) per cent. on the sale price of such excess, as provided in Article 12.

Article 9.

No tax, toll, transit duty, or due of any kind whatsoever shall be levied by the Jodhpur Government, or shall, by it be permitted to be levied by any other person, on any salt manufactured or sold by the British Government within the said limits, or while in transit through the Jodhpur territory and covered by a British pass, en route to any place outside the Jodhpur territory, provided that on all salt sold for consumption within the territory of Jodhpur the Government of that State will be at liberty to levy whatever tax it may please.

Article 10.

Nothing in this Agreement shall be held to bar the sovereign jurisdiction of the Jodhpur Government within the aforesaid limits in all matters, civil and criminal, not connected with the manufacture, sale or removal of salt, or the prevention of unlicensed manufacture or smuggling.

Article 11.

The Government of Jodhpur shall be relieved of all expenses whatsoever connected with the manufacture, sale, and removal of salt, and the prevention of unlicensed manufacture or smuggling within the limits aforesaid, and in consideration of the lease and other immunities hereby granted to it the British Government agrees to pay to the Jodhpur Government, in two half-yearly instalments, an annual rent of three lakhs (3,00,000) of Rupees, British currency, and the total sum of such annual rent, amounting to three lakhs (3,00,000) of Rupees, British currency, shall be paid without reference to the quantity of salt actually sold in, or exported from the said limits. The above sum of three lakhs (3,00,000) of Rupees shall include all rights of bhoom, transit dues and hugs of every kind due to the Thakoor of Koochawun and others which the Jodhpur Government agrees to satisfy.

Article 12.

If the amount of salt sold in, or exported from, the said limits by the British Government in any year shall exceed nine hundred thousand (9,00,000) British Indian maunds, the British Government shall pay to the Government of Jodhpur on all such excess (subsequent to the exhaustion of the stock referred to in Article 8) a royalty at the rate of forty (40) per cent. on the price per maund, which shall have been fixed as the selling price under Article 7.

In the event of any doubts arising as to the amount of salt on which royalty is claimable in any year the account rendered by the principal British officer in charge at Sambhar shall be deemed conclusive evidence of the amounts actually sold or exported by the British Government within the periods to which they refer provided that the Jodhpur Government shall not be debarred from deputing one of its own officers to keep a record of sales for its own satisfaction.

Article 13.

The British Government agrees to deliver annually seven thousand (7,000) British Indian maunds of good salt, free of all charges, for the use of the Jodhpur Durbar; such salt to be delivered at the place of manufacture to any officer empowered by the Jodhpur Government to receive it.

Article 14.

The British Government shall have no claim on the land or other revenue, unconnected with salt, payable from the townships of Nawa, Goodha, or other villages or lands included within the limits aforesaid.

Article 15.

The British Government shall not sell any salt within the Jodhpur territory outside the limits of such jurisdiction as may be assigned to it by this or any other Agreement.

Article 16.

If any person employed by the British Government within the said limits shall have absconded after committing an offence, or if any person shall have absconded after committing a breach of the Rules

laid down under Article 3, the Jodhpur Government shall, on sufficient evidence of his criminality, make every effort to cause his arrest and surrender to the British authorities within the said limits, in case of his passing through, or taking refuge in, any part of the Jodhpur territories.

Article 17.

None of the conditions of this Agreement shall have effect until the British Government shall actually assume charge of the manufacture of salt within the said limits.

The British Government may determine the date of so assuming charge provided that, if such charge be not assumed on or before the 1st May, 1871, the conditions of this Agreement shall be null and void.

Article 18.

None of the conditions contained in this Agreement shall in any way be set aside or modified without the previous consent of both Governments; and should either party fail or neglect to adhere to these conditions, the other party shall cease to be bound by this Agreement.

Signed at Jodhpur on the eighteenth day of April, A.D., one thousand eight hundred and seventy.

J. C. BROOKE, Col.,

Offg. Poltl. Agent. Marwar.

(Seal) Seal of State of Jodhpur.

(Sd.) Joshee Huns Raj (Seal).

(Sd.) MAYO. (Seal).

This Treaty was ratified by His Excellency the Viceroy and Governor-General of India at Simla on the 26th July, 1870.

C. U. AITCHISON,

Offg. Secy. to the Govt. of India, F.D.

ANNEXURE 3.

Letter No. 3296G dated 24/10/1884.

From the First Assistant Agent Governor-General, Rajputana, to the Commissioner, Northern India, Salt Revenue.

With reference to the correspondence ending with your letter No. 34C, dated 19th May, 1884, I am directed to forward for your information copy of this office letter No. 2223G, dated 26th July, 1884, to the address of the Secretary to the Government of India in the Foreign Department, together with copy of that officer's reply No. 3632 I, dated 20th September, 1884, conveying the approval and sanction of the Governor-General in Council to the following arrangement mutually agreed to by the Jeypore and Jodhpur Durbars in respect to the payment of their respective shares of the royalty on excess sales of salt manufactured by the British Government at the Sambhar Lake.

1. That all royalty on excess sales of Sambhar salt shall, in future, be divided in the proportion of 6 annas in the rupee to Jeypore and 10 annas in the rupee to Jodhpur Durbar irrespective of the place of sale or manufacture.

2. That the above arrangement shall come into force from the 1st of July, 1884, and be considered an amendment of the Treaty arrangements by which the payments of royalty to each State respectively depended on the locality of manufacture or sale.

3. That the royalty now held in deposit by the Salt Department on account of excess sales of salt from certain salt pans regarding the ownership of which there existed a dispute, shall be divided in the proportions agreed to above specified.

4. That the above arrangement shall in no way be held to affect the settlement of the boundary dispute between Jeypore and Jodhpur in regard to the Sambhar Lake, which shall be hereafter determined on its merits.

I am to add that the Agent to the Governor-General will be glad if early instructions be issued for giving effect to the terms of this agreement.

ANNEXURE 4.

Treaty No. LXIX.

Jodhpur State Agreement, dated the 18th January, 1879. Ratified the 5th May, 1879.

Article 1.

His Highness the Maharajah of Jodhpur agrees to suppress and absolutely prohibit and prevent the manufacture of salt within any part of the Jodhpur State except at salt sources administered by the British Government, or worked under special licences from the British Government.

Provided, that nothing in this Article shall be held to prohibit the *bonâ fide* manufacture of saltpetre at any work now existing within the Jodhpur State, or the opening at any time with the previous knowledge of the Political Agent of such new saltpetre works as the Maharajah of Jodhpur may consider necessary.

Article 2.

His Highness the Maharajah undertakes to prevent the importation into, or exportation from, the Jodhpur State, of any salt whatever other than salt upon which duty has been levied by the British Government.

Article 3.

No export or transit duty shall be levied within the Jodhpur State upon salt upon which duty has been levied by the British Government.

Article 4.

His Highness the Maharajah agrees to lease to the British Government from a date to be fixed by that Government the right of manu-

facturing and selling salt at the salt sources or *daribas* here below named :—

Pachpadra	...	...	...	Phalodi.
Didwana	...	...	...	The Luni Tract.

Provided, that if the British Government shall at any time cease to carry on or permit the manufacture of salt at any or all of the said salt sources, they shall equitably compensate all proprietors of private works therein situated and all manufacturers therein employed for any losses they may, in consequence, sustain.

Provided also, that the Maharajah of Jodhpur shall only be held to transfer to the British Government such rights, property and authority over any works or pits at present existing at any of the said sources as are now actually vested in himself.

Article 5.

His Highness the Maharajah will, in consultation with the Political Agent, cause each of the four salt sources aforesaid to be demarcated by a line enclosing the whole tract occupied, and shall extend the provisions of articles 3, 5, 6 and 16 of the Sambhar Lake Treaty of 1870 to the tracts so enclosed, so far as they may be applicable. The British Government agree to the extension of Articles 10, 14, and 15, of the said Treaty to the said tract.

Article 6.

The British Government agree to pay annually, in half-yearly instalments, to His Highness the Maharaja for the lease of the four salt sources named in Article 4 (including compensation to all holders of *dharma*de and similar charitable and religious allotments) the following sums in British Indian currency :—

	Rs.
For Didwana	2,00,000
For Pachpadra	1,70,000
For Phalodi	4,500
For Luni Tract	1,500
Total	3,76,000
(Rupees three lakhs seventy-six thousand.)	
And for losses sustained by the suppression of Khari works in Khalsa land	15,800
Total	3,91,800
(Rupees three lakhs ninety-one thousand eight hundred.)	

Article 7.

The losses likely to be incurred by Jagirdars and others entitled to share in the rents and revenues of the salt works that will be suppressed under this Agreement having been considered by the British Government and the Maharajah, the British Government further agree to pay annually, and His Highness the Maharajah undertakes to distribute the indemnities settled, aggregating rupees nineteen thousand five hundred and ninety-five, annas five and pies three (19,595-5-3) in accordance with Schedule A attached to this Agreement.

Article 8.

The losses of Kharols and others connected with the manufacture of salt within the Jodhpur State having been considered in concert by the British Government and the Maharajah of Jodhpur, the British Government hereby agree to pay to His Highness the Maharajah the sum of rupees three lakhs by way of compensation to the said persons, and His Highness the Maharajah undertakes to distribute the said sum of rupees three lakhs among the said persons.

Article 9.

If any stocks of salt be found to exist within the Jodhpur State at the time when this Agreement comes into force or when a duty shall be first imposed by the British Government at the aforesaid works and their produce the Maharajah of Jodhpur will, if so required by the British Government, take possession of such stocks, and will give the owners thereof the option either of transferring the salt to the British Government at such equitable valuation as he may fix, in concurrence with the Political Agent, or paying the said Agent such duty not exceeding two rupees eight annas per maund on such salt as the Governor-General in Council may fix. In the event of the owners as aforesaid accepting the latter alternative they shall be allowed to retain the salt on which the said duty may have been paid, but not otherwise.

Article 10.

In consideration of the loyal and effective observance by His Highness the Maharajah of Jodhpur of the stipulations in this Agreement regarding the suppression of minor salt-works, the indemnities payable to proprietors, the exemptions from transit duty of salt covered by British passes and the prevention of export of other salt, the British Government agree to pay to His Highness the Maharajah of Jodhpur as following sums annually:—

	Rs.
On account of transit and export duties on salt	25,000
For preventive establishment	50,000
For miscellaneous revenue and incidental emoluments	50,000

Total	1,25,000
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(Rupees one lakh twenty-five thousand)

Article 11.

Furthermore, the British Government agree that, in the event of the total money realizations from the sale of salt at the leased works collectively exceeding in any year the total charges properly debitable against the same, one-half of the said excess shall be made over to His Highness the Maharajah. The accounts rendered by the several British Officers in charge of the said sources shall be conclusive evidence as to the amount of such excess.

Article 12.

The British Government agree to deliver annually 2,25,000 (two lakhs twenty-five thousand) maunds of good salt in half-yearly instalments

of 1,12,000 and 1,13,000 maunds respectively, at a price not exceeding eight annas per maund, free of duty to the officers of His Highness the Maharajah for the use of the people of the Jodhpur State. The first instalment of salt shall be claimable on the expiration of six months from the date of the assumption of the management of the works by the British Government, or sooner, should the Maharajah desire it and if the requisite quantity be available at the works.

Each instalment shall be removed by the officers of the Maharajah within one year from the date of its falling due, failing which all claim to it or of such portion of it as may remain unremoved shall cease. Not less than one-half of this salt shall be delivered at Pachpadra, and the British Government will endeavour to deliver the remainder from the several works that may be open in such proportions as His Highness the Maharajah may desire.

Article 13.

The British Government agree to deliver annually at Pachpadra ten thousand (10,000) British Indian maunds of salt of good quality, free of all charges, for the use of His Highness the Maharajah, to any officer deputed by His Highness the Maharajah to receive it.

Article 14.

The British Government agree to permit the petty works noted in Schedule B annexed to this Agreement to be kept open for the manufacture of khari required for industrial purposes, and His Highness the Maharajah agrees so to supervise these works as to prevent their total outturn in any one year exceeding 20,000 maunds, and to furnish to the British Government annual returns of the outturn of each of the said works.

Article 15.

In the event of its being proved by experience that the arrangements made in accordance with this Agreement by His Highness the Maharajah for the safety of the British revenue are practically insufficient, or in the event of it being proved to the full satisfaction of the British Government that the quantity of salt provided for the consumption and use of the people of Jodhpur in Article 12 is materially insufficient, this Agreement will be open to revision.

Article 16.

This agreement is to come into force from a date to be fixed hereafter by the British Government

BANSWARA.

What arrangements were in vogue in the Banswara State for its supply of salt in old times is now a matter of past history. But from the Kaifiat of the Political Agent to the Durbar's Vakil, No. 175, dated the 5th April, 1879 (*vide* translation attached), which was written shortly after the Government of India had introduced their new Salt policy, it seems that in the middle of the nineteenth century, the State

used to import salt from Pachbhadra as well as Khara Gurha, besides locally manufacturing an inferior quality of salt called "Khari."

Unlike other States, however, on the introduction of the Government of India's Salt policy no agreement seems to have been entered into with, and no compensation paid to, the Banswara Durbar, due on account of the duty which the British Government levied on the salt exported from their salt sources to this State, although a population of more than 2 lakhs consumed that salt and thereby paid this duty.

As the Banswara State was land-locked on all sides, unconnected with highways and trade routes of India, there seems to have been no danger of smuggling to affect the British Revenues, and hence no agreement seems to have been deemed necessary to be made with the Durbar on this subject. Partly the cause of this also may have been that although the State had the capacity, and was manufacturing salt in those days, it could not produce the first class salt like that of Pachbhadra and depended for it on importing.

But when the British Government established a monopoly for an industry throughout the country which affected all States alike, this differentiating treatment meted out by the British Government to this State may hardly look proper. The Durbar, it seems, could not bring their claim for compensation to the notice of the British Government at the time, as the then His Highness the Maharawal Lachhman Singhji Sahib was not exercising full financial control and the political affairs of the State were in the hands of an Assistant of the Political Department.

The State used to manufacture Khari up to the year 1909. In that year the submission of the inquisitive return to the British Government was stopped, and maintenance of record regarding the manufacture of Khari seems to have gone with the return.

As the British Government levies quite a high duty and derives sufficiently large profits from the salt consumed by the subjects of the Banswara State to which, of course, the Durbar can lay claim as a matter of right, it being a tax paid by their people, the Durbar would request that they should be permitted to participate in the Salt Revenues of the British Government to that extent. Because the Durbar hope that the policy hitherto pursued by the British Government in this respect would not be considered reasonable, as His Highness is sure that the British Government would surely dislike the idea of taxing the people of the friendly State of Banswara in their own interests.

No stipulation to this effect could be entered in the Durbar's Treaty of 1818, as no such intention of the British Government was indicated at the time; and when the Salt arrangements were introduced, His late Highness Maharawal Lachhman Singhji could not press his claims upon the British Government's attention. His reasons are not manifest. But this should not affect the permanent right and interests of the State.

His Highness the Maharawalji Sahib hopes that in view of his friendship and alliance with the British Government and loyalty to His Majesty the Revenues derived by the British Government through the taxation of his subjects, as the duty levied on Salt purchased by them would imply, will be made over to his State. He trusts that his

hope will not prove a failure in its appeal to the sympathy of the British Government; otherwise His Highness would suggest for consideration of the British Government whether it would be justifiable to request abolition of their Salt Monopoly, which is supportable only by the co-operation of the Indian States, so that the people of his State should be able to get their salt free of the British Government's duty from which ever sources they like.

APPENDIX I.

Translation of Parcha from Captain Charles Yate, Assistant Political Agent, Banswara and Partabgarh, to Munshi Fazale Noorkhanji, Banswara Wakil, No. 175, dated the 5th April, 1879.

You are hereby asked kindly to send to this office a monthly statement showing separate rates for salts of Pachbhadra, Kharagurah, and Khari each, on the 1st of every month for the preceding month. Similarly, statement for March for each of these salts which has been called for, should be sent to this Office at an early date. And a statement for last three years, i.e., for Samvat year 1932 to the current year, showing variations in the rate of these three salts should be submitted to this Office.

JAISALMIR.

The Durbar have been manufacturing their own salt from times immemorial. Their agreement with the Government, however, has restricted their rights as to its export.

It is possible to manufacture larger quantities of salt than what is required for internal consumption and incidentally, to add to the general revenue of the State if the restriction (which, by the way, is hardly fair), on its export . . . if not to British India, even after payment of excise duty at the same rate as obtains in British India, then to other Indian States, and if not to other Indian States also, then to places outside India . . . is removed, or if, as an alternative plan, the surplus of salt, which may be manufactured in Jaisalmir, is purchased by the Government of India, or by Provincial Governments, at rates and on conditions that may be mutually agreed to.

PARTABGARH.

No salt is manufactured in the State. It is obtained from Khara-gora, about twelve thousand maunds being imported annually.

RAMPUR.

The Rampur Durbar would like to deal with the questions of Salt and Opium in one paragraph. In the olden days the Durbar used to levy transit duties on all goods passing through the State territory. In 1845 they were abolished at the special request of the Government. The income from these duties in those days ranged about Rs. 15,000/- a year and the Government made it up in the following manner :—

Rs. 10,000/- by permitting the import of 5,000 maunds of salt from the Sambhar Lake free of duty which stood at Rs. 2/- per maund, and used to be levied at the Ganges Ferry at Garhmukteshwar in United Provinces and the balance by permitting free of duty the import of 20 maunds of opium which used to be imported from Oudh and is now received from the Moradabad Treasury at cost price. The cost price in former times was nominal, but it stands at an appreciably high figure to-day. If the transit duties had existed they would have yielded a far larger income. The Durbar claims that the substitutes should also be elastic sources of income.

BHAVNAGAR.

The States should make a representation claiming freedom of production and sale, subject to taxation in the area of consumption.

COOCH BEHAR.

This question does not affect the State.

DHRANGĀDHRA.

The Dhrangadhra Durbar possess immense sources for the manufacture of salt and they claim that they should be allowed to work them without let or hindrance and to export their Salt to British India and elsewhere without restraint.

The position of the Dhrangadhra State in the matter of Salt manufacture is in a way peculiar. The Salt produced in its works is the *Baragara* or the large grained Salt, the only other place where Salt of a similar kind is manufactured in India being the Government Works at Kharaghoda situated a few miles to the east of the Dhrangadhra Works on the lesser Runn of Cutch. As the history of this case shows, it is solely in the interests of these Government Works that the Salt industry of the State was systematically repressed in the past and is even at the present day subjected to galling restraints. To understand the position properly it is necessary to know the previous history of these Salt Works and of the vicissitudes through which they have passed as a result of the policy of the Government of India from time to time.

The right of the Dhrangadhra Rulers to manufacture Baragara Salt on the Runn of Cutch is of a very great antiquity, dating in fact from the very beginning of their rule in Northern Gujrat in the 13th century. Previous to and during the reigns of the earlier Sultans of Gujrat, Viramgam, Patdi, Mandal, &c., i.e., the territories bordering on the lesser Runn of Cutch, were in the possession of the Jhala Rulers in whose hands was the entire manufacture of salt within this area. When the Jhala Rulers retired to their new capital at Halvad, they set up their salt works at Kuda and these were guaranteed to them by the Emperor Aurangzeb by an Imperial Farman of the 27th year of his reign, which is still in the State archives. These rights were maintained unimpaired throughout the many changes in the form of Government. In 1807-8 a settlement of the Province was made by Col. Walker who guaranteed to the State all the rights which it then possessed and assured it of entire freedom from encroachment. The guarantee given by him was uniformly respected by later authorities and finally sealed by the Proclamation of Her Majesty the Queen Empress in 1857. The State accordingly continued to manufacture Baragara Salt at its salt works unrestrained long after the British Rule was established in India and its salt supplied not only the local market but was exported as far as Malwa and beyond. However, about the last quarter of the 19th century, a change came over the situation. About this time Government obtained on lease the salt rights of the petty chieftains and Talukdars of Jhinjhuvada and Patdi, whose possessions bordered on the Runn of Cutch and comprised some salt manufacturing possibilities. These chieftains were originally under the tutelage of the Jhala Rulers and as such had no historical rights of manufacturing salt. However, Government acquired these salt sources on lease and on them laid the foundation of their present Kharaghoda Works. Since then, Government embarked on a new and aggressive salt policy which began to encroach on the ancient proprietary rights of this State. The avowed object of their then policy was to protect the British revenue. The British revenue could have been protected by not allowing any untaxed salt manufactured in salt-producing States to enter into British India and the States were asked to co-operate with the Salt Authorities by levying the same rate of duty as for the time being prevailed in British India. Salt-owning States relied on their rights and did not welcome this undesirable interference in their fiscal policy and the result was progressive destruction of the rights of the salt-owning States. Now, the British revenue could have been protected without trenching on the time-honoured rights of the Durbar, but as the policy actually came to be worked out, it introduced measures for the systematic and progressive restraint of this ancient industry in the State. The first step in this direction was the stopping of all imports of Dhrangadhra Salt into British territory where it used to find a free market before the new policy was inaugurated. The next step was taken in 1880 when the production of salt by the State was limited to 97 thousand maunds. This was followed by the agreement of 1883 which still further restricted the State manufacture to 40 thousand maunds of salt annually. Even this restriction did not somehow satisfy Government, who, in 1900, imposed on the Durbar yet another agreement which totally prohibited them from manufacturing any Baragara

Salt within the limits of their State. This was the culmination of an unwarranted and systematic invasion on the State's immemorial rights; nor was it justified by the needs of the case as the protection of Government revenue which it was meant to secure could have been achieved in other equally effective ways. However, at long last after repeated representations from the State, the matter was reviewed by Government in 1922, as a result of which a new treaty was concluded in that year between the Government and the Durbar. By this new treaty the Durbar were restored their ancient right of manufacturing Baragara Salt and Government further agreed to purchase at a fixed price 5,00,000 maunds of salt every year, for five years in the first instance, the quantity and price being subject to revision at the end of that period. The Durbar's request was to be allowed to import their salt unhampered into British India to enable them to develop their resources properly, but instead of permitting them to do so on their own account, Government preferred to purchase the salt themselves for the markets in British India. Even with such limitations, it must be recognised that the new treaty was conceived by Government in a broad statesmanlike spirit which took due account of the rights and position of the Dhrangadhra State. Latterly, however, Government have announced their intention not to purchase any salt from Dhrangadhra after the period of 5 years is over. This places the State in a very awkward position, as the State was allowed to believe that the Government purchases were to continue and on the faith of the arrangement, it has incurred a large capital expenditure of a permanent nature and it is now faced with very serious loss on its undertakings. The State strongly represented against this to Government, suggesting as a last resource that if Government were not disposed to continue their purchases on any account, the State should according to its original demand be allowed at least to find a market for its salt in British India. But Government have contented themselves with merely reiterating their refusal to purchase Dhrangadhra salt and have altogether ignored, as it seems, the alternative proposal of the Durbar to be allowed to import their salt into British India. This has created a situation which is altogether unfair to the Durbar and they are constrained to raise an emphatic protest against it on grounds which are briefly set forth below :—

1. The treaty of 1922, abandoning the old attitude regarding Indian States, definitely recognises the right of the State to have a fair field for a proper development of its resources. This presumes the freedom of export to such markets as are economically possible. Dhrangadhra salt used to be sent in the old days to markets in British India and the State's claim was to be allowed to export its salt to British India by rail under proper safeguards. While Government did not think it expedient to let the State do this on its own account, they implicitly recognised the justice of its claim by agreeing to purchase 5,00,000 maunds of salt themselves for the British Indian consumers. If Government now find this intermediary arrangement inconvenient, it is only just that the Durbar should be allowed to endeavour and find out for themselves a market for their salt in British India without any restraint.

2. Apart from this general position, it was never in the contemplation of any party, when the new treaty was made, that Government purchases were to continue only for five years and were then to cease altogether. The understanding was that the purchases were to continue. The subsequent correspondence with the Salt Department is also a witness to the same effect. The Durbar on the faith of this were led to make large financial commitments, and are now faced with serious loss which they have done nothing to deserve. In fairness to them if Government are not disposed to take their salt, they should then at least be afforded a reasonable opportunity of finding an outlet for their product and save themselves as best they can from the loss with which they are threatened.
3. It is well known that India, under the present Government policy, is unable to supply its salt requirements in full and that no less than 33 per cent. of its demand is met by imports of foreign salt. In Bombay Presidency itself the Portuguese Goa imports by land 3,00,000 maunds of salt into British territory every year. Now if foreign countries are thus allowed to send their salt into British India, is it at all equitable that an Indian State like Dhrangadhra should still be debarred from the market. Is Dhrangadhra State to receive even less consideration than a foreigner?
4. From the broadest point of national policy this dependence of India on the imported article to such a large extent cannot be regarded as at all satisfactory. Where the commodity is a necessary of life and the consumer the whole nation, the wisest policy should be its production as much as possible in the country itself. This was one of the lessons forcibly driven home by the last war and it should not be forgotten. Government may not go to the extent of fostering local supplies by definite financial assistance but at any rate they ought not to stifle promising local industries which are able to stand by themselves without extraneous help. In this particular case, however, the local industry is for some reason or other discouraged, while foreign salt is allowed to be dumped into India unrestrained. In matters of public moment Indian States are considered as integral portions of India and are invited to look at questions of policy from an Indian and even Imperial standpoint. Yet when it comes to a question of the proper development of their own resources, shall it be said that they are to be treated as if they were strangers in their own land and more foreign even than foreigners?

These are some of the main general grounds on which the Durbar strongly maintain that the position taken up by Government is unsound in principle and unfair to the State. It places an unwarranted restraint on the free development of its resources, which cannot be justified on any ground or principle. The Durbar have already put in a further representation with the Government of India in this matter, a copy of which is enclosed herewith. The representation deals

with the subject in all its aspects and the Durbar trusts that the Indian States Committee will carefully consider it and see their way to lend their support to the Durbar's claim.

DHRANGADHRA SALT REPRESENTATION.

No. 86 of 1928.

Huzur Office, Dhrangadhra,

Dated 31st March, 1928.

From His Highness Maharana Shri Sir Ghanshyamsinhji, G.C.I.E., K.C.S.I., Maharaja Raj Saheb of Dhrangadhra, Dhrangadhra, to the Honourable Mr. E. H. Kealy, C.I.E., I.C.S., Agent to the Governor-General, in the States of Western India, Rajkot C. S.

SUBJECT :—DHRANGADHRA SALT AGREEMENT.

My dear Friend,

I have the honour to address you with reference to your letter No. P/51, dated the 29th July last, forwarding purport of the Orders of the Government of India contained in their letter No. 290-I/26, dated the 21st idem on the subject noted above.

2. It is a matter for very keen disappointment to me that the various important considerations, which we had urged in this connection, have failed to weigh with Government sufficiently to induce them to modify their decision. As it has already been pointed out in our previous letter, the decision seriously affects us in our most vital interests. We believed with very good reason that the Government purchases would continue, and now this sudden withdrawal of all Government demand for our salt involves us in serious loss in the very large financial commitments which we were induced to make on the faith of it. I am compelled to reiterate that this faith was not a mere gratuitous belief on our part but was founded on definite hopes held out to us in the conversations that led to the new Salt Agreement of 1922, and in the subsequent correspondence that has passed between the officers of the Salt Department and the State. It will be recalled that our original request was to be allowed to import our salt into British India under proper safeguards after paying the prevailing rate of Government duty. As a result of the personal discussions that took place subsequently in 1922 at Simla, Government decided to meet our claims by agreeing to purchase 5,00,000 maunds of salt themselves. As a beginning, the quantity fixed upon was, in the natural course of things, necessarily much less than what eventually it was expected to be. It was also agreed that the salt was to be taken over at Kuda, where at the time no railway line extended. But it was understood that the State was to lay a railway siding to that place which was 14 miles from the nearest railway station at Dhrangadhra. Indeed, without such an understanding, Government would not have agreed on Kuda as the place of delivery. But the construction of a railway to Kuda meant a large capital outlay of a permanent nature, which the State could not reasonably have been expected to incur unless the idea was that it could count on the Government purchases of its

salt to furnish a more or less regular traffic on the line for a number of years. In fact, it is not possible to deny that this was the general understanding of all the parties concerned, not omitting the Salt Department and the Government of Bombay. The subsequent correspondence also bears witness to the same effect. A reference to Mr. Macgregor's notes of 17th February, 1925, a copy of which was forwarded to you with my Dewan's letter, No. 52, dated 9th May, 1927, will clearly indicate what the Collector of Salt Revenue himself thought about this matter. In the discussions of February, 1925, in consideration of the longer lead from Kuda, the State agreed to reduce its price to 3 annas and was allowed to couple it with a definitely expressed hope that Government will increase their purchases after the five years' period was over. Now, Mr. Macgregor would never have consented to this going on the record, if the understanding was that the Government were to discontinue their purchases altogether after five years; nor would he have omitted to check any such hopes in express terms if he thought that the arrangement was so embarrassing to Government that the acceptance of the State's request was hardly to be thought of. Nothing can be a clearer proof than this of the understanding which was at the basis of the arrangement of 1922. On the whole, it seems clear that Government ceasing to purchase our salt after five years was assuredly a contingency never thought of by any party; on the contrary everybody concerned naturally reckoned on the prospect of a possible increase in the quantity to be taken by Government eventually. I am so convinced on this point that I feel little doubt that if the records of the Salt Department and the Bombay Government subsequent to the agreement were to be referred to, they ought to furnish conclusive indications of the correctness of this position. It may be judged whether, in these circumstances, this altogether unexpected decision to discontinue Government purchase of the Dhrangadhra salt is at all fair to the State.

3. Even apart from this it is a bit difficult for me to realise why Government should have found it expedient to withdraw their demand for Kuda salt, since at the rate at which they get it, it is more profitable to them than the Kharaghoda salt. From the report of the Administration of the Bombay Salt Department for 1924-25, it appears that it costs Government 4 annas 7.19 pies to produce a maund of salt at Kharghoda. The issue price, however, is 4 annas 3 pies, which means that Government make a loss of 4.19 pies on every maund of salt sold. As against this, Government are able to sell Kuda salt at the price at which they get it, i.e., 3 annas 6 pies, and do not incur any loss as at Kharaghoda. From your letter No. P/51, dated the 6th April, 1927, the only reason for refusing this decidedly cheaper salt appears to be that Government somehow find it "to be a serious source of embarrassment." How this happens is not made clear, and I am, therefore, not in a position to offer any remarks thereon, but I cannot bring myself to believe that whatever the embarrassment caused, it cannot be met by any other remedy except throwing the whole arrangement overboard. Surely, if efforts are made, it cannot be beyond ordinary administrative capacity to find a solution which safeguards the interests of all concerned. However that may be, the essential fact remains that the

decision of the Government of India, by upsetting all the calculations of the State, which it was justified in making on the faith of the arrangement, threatens it with serious financial consequences, which it has done nothing to deserve. If Government have made up their mind not to be saddled with the responsibility for the disposal of Kuda salt in addition to what Kharaghoda can produce, nothing that the State can urge will probably avail; but then, in fairness to the State, an alternative ought to be found, which, while freeing Government from the responsibility of purchasing Dhrangadhra salt, should at the same time leave the State a reasonable opportunity for the development of its resources and to save itself from the loss with which it is faced.

4. Such an alternative solution of the problem has been urged in our letter No. 52, dated 9th May last, to which I would now invite Government's earnest and sympathetic consideration. Therein we have voiced our request that in case Government were not disposed to take our salt on any account, we should be permitted at least to find a market for it in British India on payment of Government duty and with due safeguards for the protection of the Salt Revenue of the Government of India. The brief purport of Government orders conveyed to us with your letter under reference somehow leaves an impression that Government were much too preoccupied with the difficulties of the Salt Department about the disposal of the salt they were to purchase from Dhrangadhra, to give serious thought to other considerations, and as a consequence, this request of the State has unfortunately failed to be noticed with the attention which it deserves. In fact, in the orders as communicated to us, there is nothing which can be said to deal directly with this proposal. However that may be, I must now press it with all the emphasis at my command for the serious consideration of the Government of India. It is not a new proposal. It was contained in my letter No. 163, dated the 17th December, 1917, to the Agent to the Governor, Kathiawar, which formed the basis of the subsequent discussions that took place between the Government and the State and which eventually led to the New Salt Agreement of 1922. This agreement was the expression of a definitely revised attitude of the Government of India towards the salt industry of the State, in as much as it not only restored to the State its ancient right to manufacture Baragara salt but also recognised the justice of its claim to be allowed a fair field for the development of its natural resources. The demand of the State was to be permitted to work its salt resources without restraint and to import its salt into British India after paying Government duty. As the Agreement testifies, Government accepted the reasonableness of this request; only, instead of letting the State import its salt on its own account, they decided that they would purchase the salt themselves at an agreed price for the consumers in British India. If they now find that this undertaking on their part is a source of embarrassment to them, the only just and reasonable course that remains is surely to allow the State to avail itself of such market as it can find for its salt in British India.

5. It is submitted that this is as fair a solution of the problem as it is possible to arrive at in the difficult situation created by Government's sudden decision to stop all further purchases of Dhrangadhra salt. To

us, it is no doubt a step back from the comparatively advantageous position the agreement gave us, in being deprived of an assured sale for our salt, but we have at any rate a partial compensation in being allowed a fair opportunity of finding an outlet for it; and henceforth it will depend on our own efficient working whether our salt is to make good under competitive conditions or has to go under. For Government, the arrangement will relieve them from the duty to purchase any salt from Dhrangadhra and to that extent it is for them a distinct improvement on the old terms; at the same time Government's financial interests remain totally unaffected, as under proper safeguards on the lines suggested in our letter No. 171 of 23rd June, 1924, the Government salt revenue will be made perfectly safe. Nor can such an arrangement be anything but beneficial to the Indian consumer. For one thing, it needs little argument to show that the interests of the consumer are better served when there are many different competitive sources from which to meet his requirements, for their very competition is a guarantee that he gets full value for his money. But this is not all. Where the commodity is a necessary of life, as in this case, and the consumer the whole nation, Government, to whose charge the well-being of the country is committed, cannot afford to confine themselves to narrow day-to-day views of the matter, but have necessarily to consider it from a far wider standpoint and must so arrange things that such essential supplies of the people are safeguarded, as well as can be, under all eventualities. The great world war was an eye opener in this as in many other respects and it compelled most nations to revise their policies, both external and internal, which had been evolved in less strenuous and narrower days of peace. The great war is gone but it seems occasionally necessary to hark back to those difficult times lest with the memory of war gradually receding into the past, its valuable lessons might be forgotten. Considered from this broader standpoint, the position of India in respect of its salt supply cannot but strike one as something of an anomaly. Taking the figures for 1925-26, it appears that as much as 33 per cent. of India's demand for salt was met by foreign imports. This dependence for so large a portion of a vital commodity like salt on overseas supplies cannot surely be regarded as a satisfactory state of things from any point of view. The conditions of the war are not yet altogether forgotten. If a sudden interruption of sea communications took place, as happened in the war, its effects can well be imagined and if added to it, there were to be disturbed conditions on the Punjab Frontier, for instance, necessitating the closure of the chief source of supply in the North, or there were an unfavourable season in one or the other of the remaining few salt sources in India, it would be nothing short of a disaster for the country. In such a state of things, the wisest policy would be to broaden the basis of the local supply by helping the development of all possible indigenous sources. It is a question whether, when matters stand thus, Government ought not to go further and foster the home industry by some positive encouragement of a material kind, but at any rate it cannot be denied that any restraint on internal resources, which are crying to be developed by themselves without extraneous help, would be most ill-advised and shortsighted. It is inevitable that in carrying out this policy, some loss might be caused to concerns which enjoyed,

under the former restrictive policy, a more or less sheltered position but this ought not to stand in the way of securing as best as can be done the vital interests of the whole country.

6. That Dhrangadhra State possesses immense possibilities for the manufacture of this essential article is not open to dispute. It is a matter of well-established history that the State used to manufacture unlimited quantities of salt from times immemorial, not only for its own needs, but also for markets in India outside its territories. The Imperial Farman of Emperor Aurangzeb (a copy of which was produced before Government on a former occasion) is a witness to this fact. Even after the consolidation of British Rule in India, in spite of the crude means of transport then existing, Dhrangadhra salt used to find a market as far as Malwa and beyond (*vide* Statistical Account of Dhrangadhra State by Colonel Watson). With the initiation, however, of a new policy on the part of Government towards the last quarter of the past century, for safeguarding their salt revenue, a change came over the situation. The avowed object of Government was to protect their revenue, which could well have been secured without interfering with the time-honoured rights of the State, but as the policy actually came to be worked out, it ushered in measures for the systematic and progressive repression of the State's industry and finally culminated in 1900 in the total prohibition of all Baragara manufacture within its boundaries. It was, to say the least, an unjust encroachment on the rights of the State, quite apart from the fact that it was not even justified by the needs of the case, as the professed object which it was meant to secure, could have been attained in other ways. However, after repeated representations from the State, British statesmanship has at last recognised the justice of our claim, as I am very grateful to acknowledge. The new agreement of 1922 was born of this change of vision. It definitely abandons the old restrictive standpoint and recognises the right of the State to develop its natural resources; though, it must be confessed, it still betrays some lingering influence of the old controversies, for the right, though recognised, is sought to be hedged round with certain limitations. These limitations may have been meant possibly to give time to the old existing works to adjust themselves to the new competition, but if so, there is always the risk of reverting unconsciously to the old angle of vision under stress of official exigencies and unless constant watchfulness is exercised, there is some danger of the cardinal principle, which dictated the new policy, being lost sight of or sacrificed to mere considerations of departmental convenience. Such apprehensions on our part may be unnecessary in this case. I hope that they are, but I cannot help giving utterance to them after what we have seen and experienced since the new treaty came into force. As is only to be expected, in the eyes of the departmental officers with their old traditions and associations, the new order of things must long remain something of an anomaly—something like an inversion of the natural sequence of events to be set right at the first opportunity. To them, with their narrow departmental view of things, the State, as being outside the pale of British India, may appear a fit object to raise barriers against, but such a view surely cannot find favour with the Government of India, to whom the State must be as essential a part of India, as integral a

portion of the Indian Empire, as the British Territory. To discriminate against the State and raise protective walls against it is little better than one Province of British India raising economic barriers against another. In the large economic and fiscal issues affecting India, the States are regarded as forming component parts of an inseparable whole and bear the burden of protective duties, &c., jointly with British India. Would it at all be justifiable then to claim that when the development of an important industry is at issue, the State shall be regarded as outside the pale of India and shall be discriminated against. The position is on the face of it unsound and happily does not find any illustration in industries other than salt. Why salt should be an exception in this respect is not easy to understand. The Dhrangadhra State, large though its salt resources are, is not surely in a position to monopolise the immense salt supplies which India needs, and it cannot surely bring the country to its knees by its control of its salt requirements. Yet the legitimate growth of its industry must be checked and the State be regarded as more foreign even than foreigners! For foreign and even the former enemy countries are allowed to import their salt into British India unhampered to the extent of 33 per cent. of India's requirements. In Bombay Presidency itself, the Portuguese Goa sends every year after payment of Government duty more than 3,00,000 maunds of salt for the Indian market. If so, I leave it to Government to judge whether it is at all equitable that the Dhrangadhra salt industry should nevertheless be banned and the State denied the right conceded even to foreign countries.

7. It is only natural that the existing manufacturers of salt in India should look with disfavour on the introduction of a new rival likely to compete with them. But this is never considered a valid reason for scotching new enterprises in the same country. Unfortunately it happens in this case that Government is also a part producer of this article, side by side with private individuals. This fact tends to complicate matters considerably and points to a possible danger that the outlook of Government *qua* Government of the country might sometimes be unduly swayed by the smaller considerations of an ordinary manufacturer. I am afraid that this is possibly responsible for much of the present opposition to our claims. If you will kindly refer to the Collector of Salt Revenue, Bombay's letter No. 103/12, dated 2nd August, 1924 (copy forwarded to us with your office letter No. P/51, dated 13th September, 1924), it will be apparent that the fear of the competition of Dhrangadhra salt with Kharagoda is the main burden of his theme. He claims in effect that Kharagoda's vested interests should be protected against Dhrangadhra. I shall not open old sores by remarking that these vested interests of Kharagoda, such as they are, are, as a matter of origin, founded in injustice, and that there would have been no such interests to speak of, had not the immemorial industry of the State been ruthlessly compelled to be closed down. To claim protection for such interests seems little better than claiming that one injustice shall justify another. But even apart from this, the position is as untenable in facts as it is unsound in principle. The Collector of Salt Revenue, Bombay, is afraid that Dhrangadhra salt, by competing with Kharagoda, will reduce the latter's market, and

that as a result the cost of Kharaghoda salt, with a proportionately larger incidence of interest on capital and overhead charges to bear, will increase. He, however, furnishes unconsciously a complete answer to his own arguments in para. 8 of his same letter, where he seeks to make out that Kuda salt is not in fact cheaper than Kharaghoda, as Kuda has a lead of 53 miles against it as compared with the latter. Now it cannot be denied that Kuda is 53 miles further away from Viramgam than Kharaghoda, but if so, it equally proves that Kharaghoda's fears are more imaginary than real. There must indeed be the something radically wrong with Kharaghoda if, in spite of its established manufacture of more than half a century's standing, with an organisation which must be assumed to have been developed to a high pitch of efficiency in all these years, Kuda, with its new works, should nevertheless be able to displace its salt, notwithstanding the palpable handicap imposed by its greater distance from the market. But Kharaghoda has really no reasonable grounds for apprehension. As a matter of fact, its salt meets only a portion of the entire requirements of the Provinces where its salt is usually sent. The rest is made up of salt from other sources and from the imported article. In proof of this it may be mentioned* that in 1921-22, Northern India, over and above its local manufacture and the Bombay supplies, imported no less than 33,25,000 maunds of salt from Bengal, which is admittedly entirely of foreign source. If Dhrangadhra is allowed to import its salt into British India by rail, it may hope to capture a portion of this market which at present goes to the foreign article.

8. But if the argument is, as shown above, wrong in fact, it is even less supportable on grounds of principle. The capital investments at Kharaghoda were, for the most part, made many decades ago. They have been in operation for years and ought, on all sound methods of finance, to have been liquidated by now. It does not stand to reason that an investment of this kind, made so many years ago, should be regarded as a sufficient ground for stifling all new enterprises of a similar nature for all time. If a new source of salt were to be discovered in India, which would enable the consumer to obtain his salt at much less than the cost price now charged at Kharaghoda, would Government, for Kharaghoda's sake and for fear of writing down a portion of the capital expenditure incurred years ago, refuse the benefit of this cheaper salt to the people of India? Put thus, the position seems unthinkable, yet why should it be different if the source happened to be in the territory of an Indian State like Dhrangadhra. Claims of protection have been made and in many cases allowed against foreign industries, but protection against an industry in an Indian State would be altogether an unprecedented case indeed. I would put it to Government whether they would ever have thought of entertaining such a request if it came from any private manufacturer in India and how the Tariff Board would have dealt with it, if it ever went before it. It is repeatedly borne in upon Indian States that in most matters of public moment, their interest cannot be disassociated from those of British India and that they should not forget that they are part of one single whole.

* *Vide* "Statistics relating to salt in India," 1911-12 to 1920-21.

They are constantly being invited to look at questions of policy and matters of public moment from a broad Indian and even Imperial standpoint. Shall it then be said, when the development of their own territories is at stake, that they shall not claim to be regarded as of India, but as strangers in their own land, deserving of even less consideration than a foreigner? Such a view now-a-days is entirely out of date. In this very matter of salt, it was definitely ruled out by the agreement of 1922, when Government decided to purchase Dhrangadhra salt after an exhaustive consideration of all the circumstances and implications of their policy and after giving due weight to all that the Salt Department had to urge against it. There is nothing new for the Department to urge, which it had not pressed on Government in 1922. If so, the only question is whether Government are to go back on the generous and statesmanlike policy which they themselves laid down after a full and searching examination of all the issues involved.

9. Before closing this letter, I should like to remove a misunderstanding which seems to have to some extent clouded the real issues. From your letter No. P/51, dated 6th April, 1927, it appears to me that the case has not been fairly put before Government. It seems to have been somehow pressed upon Government that Dhrangadhra's request was only to manufacture bye-products of salt and that as Baragara salt was no longer to be used in the manufacture of alkalis, which the State had taken in hand, it has no grievance if the Government purchase is stopped. But a reference to my representation of 1917 will show that our claim was not only to be allowed to make bye-products, but also to have full freedom to import our salt into British India after payment of Government duty. Besides, it would be a mistake to consider as if the manufacture of salt and the manufacture of bye-products were two distinct industries altogether unconnected with each other. Properly regarded, salt and manufacture of bye-products based on salt are not two separate things but so essentially interconnected as to form component parts of a single large industry, of which neither part can be neglected if the other is to prosper. It is absolutely essential for the manufacture of chemicals to succeed that salt, which is its most important raw material, should be available as cheaply as possible, and this is impracticable unless it is made on an adequately large scale with a market to absorb all surplus production. This is so axiomatic a truth that it hardly needs to be stressed. The State has embarked on a large scheme of alkali manufacture, an industry which is the first of its kind in India, and has expended an enormous amount of capital and labour on it. If now, instead of extending to such an industry the encouragement it deserves, Government, by a sudden change of policy, were to embarrass it in its very initial stages by increasing the cost of its principal raw material, it would irretrievably mar its prospects of success and not only involve the State in serious loss but would discourage all similar enterprises in India for years to come.

10. I sincerely trust that the foregoing considerations will receive their due weight with the Government of India. Permission to us to find a market for our salt in British India is the only way to save us from the grave financial consequences with which we are threatened as a result of the sudden frustration of all our legitimate expectations

based on the agreement of 1922 and subsequent events. It is submitted that alike on grounds of broad policy and of expediency our case deserves favourable consideration at the hands of Government. I trust that no further representation from us to substantiate our just claims will be necessary, but if it appears to Government that a further interchange of views is called for, we shall be glad to do so and would, in that case, take the liberty of suggesting a sort of a Round Table Conference, where the whole question could be thoroughly thrashed out and a satisfactory solution reached. In any case I fully trust that no decision adverse to the State will be made without giving us a further and fuller opportunity of representing our case before Government.

I remain,

Your sincere friend,

GHANSHYAMSINHJI.

JHALAWAR.

The Durbar feel that the salt compensation being at present paid to the Jhalawar State is inadequate. Its amount therefore should be determined and adjusted every five years by the application of the duty in force at the time to the quantity of salt actually consumed by the subjects of this State.

JUNAGADH.

The Salt Agreement was made with the Junagadh State in 1883 and is set out in Appendix LIV. The object of it was that the production of salt in Kathiawar should be so regulated for the consumption of the people of Kathiawar that "No salt produced in Kathiawar should be conveyed into British Districts contrary to the Law in British India and to injury of the revenue of the British Government." The agreement involves restriction on the quantity to what was required for the consumption of Kathiawar, restriction on the quality of salt produced to sea salt, on the export from the State, and on the works for the production of salt. No new works are to be opened without the previous consent of the Government of Bombay.

The agreement is one-sided in so far as it is Junagadh State which has undertaken to take various measures to protect the salt revenue of British India, but no corresponding obligation is imposed on the British Government. The remarkable point about this agreement is that the province of Kathiawar is dealt with here as if it was a single unit and Junagadh is left free to manufacture salt for the needs of the province without any guarantee that the other States will permit Junagadh salt to enter into their territory either free of any duty or on the levy of a limited duty. On the other hand, Junagadh has not agreed to tax salt for the consumption of its people at any particular rate.

The system in Junagadh is that the State manufactures salt and offers it for sale at a uniform rate throughout the territory, bearing all costs of transport, etc. A certain amount of salt is also sold to merchants for being taken out of Junagadh territory for consumption inland. The rate of tax for salt in Junagadh is very low compared to British India. The ruling price is Re. 0-5-9 per maund (1600 tolas) and the export price is Re. 0-1-7 per maund as against Re. 1-8-0 for the same weight in British India.

The total amount of revenue derived from salt is Rs. 21,000, i.e., Re. 0-0-9 per head.

APPENDIX LIV.

His Highness the Nawab Saheb of Junagadh, recognising the rights of the Paramount Power and the duty incumbent on the Chiefs of Kathiawar so to regulate the production of salt in Kathiawar for the consumption of its inhabitants that no salt produced in Kathiawar may be conveyed into the British districts contrary to the law of British India and to the injury of the Salt Revenue of the British Government, agrees as follows:—

1. That the production of salt in his State as hitherto carried on will continue, but the quantity produced or removed shall not exceed the quantity required to meet the demand for consumption thereof within the Province of Kathiawar.

2. That the salt manufactured within his State shall be sea salt only, that is, salt made from sea-water or brine wells as heretofore. That no Vadagra salt shall be manufactured within his State.

3. That salt may only be exported from his State by sea to some other place in his own State, and then only under special arrangements made by his State, all removals of salt by sea by private individuals from one place to another being prohibited. That fishing boats belonging to his State may ship when leaving a place in his State, a quantity of salt not exceeding 25 maunds to be used for *bonâ fide* fish-curing purposes. That no salt shall be imported into his State by sea from places outside Kathiawar except salt which has paid the salt tax of the British Government, and is covered by a British Rawana.

4. That his administration will be responsible for the observance of the above conditions by all classes of his subjects. That he will prevent to the utmost of his ability the export of salt from Kathiawar by land either into another foreign State or into British India.

5. That he will not enlarge or make any material change in the existing salt works, nor open any new work or salt source in his State, nor permit any salt work or source to be altered, enlarged or opened without the previous consent of the Government of Bombay obtained through the Political Agent in Kathiawar.

6. That the salt works and salt deposits within his State shall at all times be open to the inspection of the Political Agent, or the Assistant Political Agent, and that full information on all subjects

connected with the production and distribution of salt in his State shall be supplied to the above-mentioned officers when required.

Dated at Rajkot, 5th July, 1883 A.D.

BAPALAL MANEKLAL,

Naib Dewan,

Junagadh State.

(Junagadh State's Agreement regarding the regulation of the manufacture of and trade in salt.)

TRIPURA.

No salt is manufactured in this State at present. In the event of this being possible in the future the State should be at liberty to manufacture salt for its own consumption and to export it to British India on payment of the same Excise Duty as Government-made salt.

BARWANI.

Barwani is one of those States that do not receive any compensation. The Government of India by special agreements with certain States on payment of compensation secured the monopoly of salt trade in India. There are a number of other States to whom no compensation is given and yet whose subjects have to pay the salt duty to the Government of India. Barwani claims a share proportionate to the consumption by its subjects on the generally recognised principle that any taxation is the due of the Government whose subjects consume the commodities taxed.

CAMBAY.

I think this State would have a great deal to urge in respect of the manufacture and export of salt. In the first place the compensation fixed in 1881 requires revision in view of the altered rates of duty, etc. This State is in a very favourable position for the manufacture of salt, and should have the right of manufacture restored to it subject to such safeguards as may be mutually agreed upon. In any case the agreement of 1881 would require revision in the altered conditions.

MORVI.

The Morvi State is a salt producing State. The agreement of 1883 with Government regulates the production, consumption, export, transport, etc., of salt. The Durbar beg to be permitted to draw the attention of the Committee to the correspondence on the subject, more especially to the telegram sent by all the salt-producing States of Kathiawar to His Excellency the Governor of Bombay on the 11th September, 1879, to show under what circumstances the negotiations in this behalf were carried on. A copy of it is appended hereto for perusal (*Appendix "A"*).

It does not require to be stated that every State has a natural and inherent right of developing its own resources. Yet, the anomaly of the situation is that while foreign countries are permitted to import their salt into British India on payment of duty, the Kathiawar States are precluded from doing so. This is not as it should be. Surely, the Kathiawar States ought not to be put in a worse position than foreign countries. The least the Morvi Durbar expects is that they should be at liberty to export it to British India on payment of the usual British duty.

It appears that the Baroda Government was placed under the same restrictions as the Kathiawar salt producing States. The export of its Okhamandal salt to any place in British India was prohibited. But on the representation of the Baroda State the arrangement of 1887 has been modified, and they are now allowed to export their salt to Calcutta by sea. In fact, Baroda is exporting salt from its port of Okha in Kathiawar to Calcutta. It is respectfully urged that the Morvi State is entitled to be placed on the same footing.

In this connection attention may be drawn to the resolution of the Government of India on salt, dated the 12th May, 1928 (published in the "Gazette of India" dated 12/5/28, pp. 480-489), together with the accompaniments thereto. The Central Board of Revenue have found that it is not possible for British Indian salt to find a market in Calcutta owing to the competition of foreign salt. There is all the greater reason, therefore, that there should be no prohibition against the Kathiawar ports who should have freedom to export their salt to British India by land or sea on payment of the usual duty.

APPENDIX "A."

From (Station) Rajkot, from His Highness the Nawab of Junagarh, to (Station) Poona, to His Excellency Sir Richard Temple, Governor in Council.

Also, we, His Highness the Jamsaheb of Nowanagar, His Highness the Thakore Saheb of Bownagar, His Highness the Raj Saheb of Drangadhra and His Highness the Thakore Saheb of Morvi, humbly represent that Mr. Carey, collector of Salt Revenue, came to Rajkot and made two imperative demands upon us, namely, that we should make over to Government the entire management of our salt works and all our lands spontaneously producing salt, Government agreeing to give any excess of revenues over expenditures, or secondly that we should raise the price of our salt so as to equalise it with that of the salt in British territory, and consent to the appointment of Government officers to guard and superintend the manufacture and the sale of salt in our territories. Political Agent agrees with Mr. Carey and employs pressure to obtain our consent to one of the above demands. We agreed to raise the price of salt and to take rigorous measures for the prevention of smuggling and showed to Political Agent and to Mr. Carey draft rules for the purpose. But they did not accept this efficacious concession and seemed determined to enforce their own demands. Mr. Carey expressed his distrust of us. The matter is of vital importance to the interests of our States. We are greatly alarmed by said demands, since they strongly conflict and clash with our sovereign and jurisdictional rights which we have

immemorially enjoyed and which have been guaranteed to us by British Government. Even the concession we have made will press most heavily upon the whole of Kathiawar people and most seriously alarm them. We therefore respectfully pray that should Mr. Carey or Political Agent report on this subject in order to enforce our views, Your Excellency will be pleased not to pass any order without first giving us a copy of such report and receiving and considering our representation thereon.

Dated 11th September, 1879.

PUDUKKOTTAI.

Although the State is in the hinterland and has no sea-board of its own, a large quantity of earth-salt was being manufactured in the State. The Madras Government complained that the cheaper earth-salt manufactured in the State was finding its way into the adjoining districts of their Presidency and causing loss to the revenue derived by them from the salt manufactured in their factories. With a view to preventing the loss of their salt revenue, the Durbar undertook to suppress the manufacture of salt within the State in return for the payment of a compensation of Rs. 38,000 paid to the State every year. The Durbar agreed to this arrangement in the year 1887, but no provision was at the time made for any periodical revision of the amount of compensation fixed. As a result of this convention, the Durbar have completely suppressed the manufacture of salt within the State and the people of the State are entirely dependent now on the supply of the British duty-paid salt. The British Indian Government is now getting a revenue of more than double the amount paid to the State as duty on the salt consumed by the people of the State on a calculation based on the present population of the State; and it is but just that the State should be given the full amount of revenue contributed by the State subjects to the Government of India on account of the salt tax. Also the amount fixed on the basis of population should be susceptible of revision periodically, i.e., once in 10 years with reference to the variation in the population as determined at each decennial census which the State conducts in common with the Government of India and the Provincial Governments.

RADHANPUR.

The manufacture and export of salt has been prohibited to the State by an agreement of 1840 which was practically forced upon the State against its will.

The State of Radhanpur had from time immemorial enjoyed the right of manufacturing salt and the salt works at Anvarpore were well known in this part of the country. The manufacture of salt by the State in these works went on uninterruptedly during the time of the Moghul Emperors and their successors, the Marathas. As the State was selling salt to people at a very low price the income was not very big, but the production was considerable, as the records show, about two lakhs of maunds having been produced in the year 1823 A.D.

About this time Major Miles, representing the East India Company, began correspondence with the State making proposals that the company should take over the Anvarpore Salt Works from the State, the latter receiving certain compensation. The then Nawab Sherkhanji naturally resisted the proposed deprivation of the valuable right of the State. After his death there was the regency owing to the minority of Nawab Jorawarkhanji. The question was re-opened with the Regent Mother Bai Jibbai Saheb who, ultimately yielding to the pressure which was brought to bear upon her, made an arrangement in 1829 by which the Agar was made the joint property of the State and the East India Company with equal shares. How extremely unwilling the State was to part with its right to manufacture salt will appear from the fact that it took a period of seven years before the State yielded in the matter.

From 1829 the production of salt in the Anvarpore Works began steadily to increase and the records show that the output in the year 1837 was 4,50,000 maunds.

In the year 1832 the then Government suggested that the State of Radhanpur should surrender the whole of the Salt Works to Government in consideration of a money compensation payable every year. The then Nawab Saheb was most unwilling to make this surrender and on the contrary demanded that the joint ownership which Government had acquired over the Agar in 1829 should be given up by Government, and the Agar should be completely restored to the State, and that he was willing to pay Government a sum of Rs. 25,000 a year for giving up the right acquired by them in 1829. The resistance by the Nawab Saheb to the proposal to deprive the State entirely of one of its much cherished and valuable sovereign rights and the insistence of the Government on the other hand to have their way appears clearly from the correspondence on the subject from the year 1832 to 1840, which correspondence makes very sorry reading. It shows how the Nawab was struggling to preserve the rights and privileges in this matter enjoyed by the State from time immemorial, and how his resistance was overcome by the powerful British Government imposing their will upon him. Copies of portions of this correspondence are hereto annexed and marked Appendix I.

In a Yad, dated 24th January, 1838, the then Nawab stated as follows:—

“Government had asked us for giving over our half part. In reply to the above we submitted a Yad to the Agency that we do not wish to give the remaining half to the Sirkar, and would add that we had no mind to give the first half to the Sirkar.

However, we submitted to the will of the Company Sirkar and now the Sirkar is asking for the remaining half which is not good.”

In a further Yad dated 8th February, 1838, the Nawab Saheb stated as follows:—

“The Government had asked us for giving our half part. In reply we had written that we were unwilling to give the half part. As, however, the Government is bent upon taking the other from us we submitted a Yad with seven articles.”

The Nawab Saheb was peremptorily informed that Government wanted to have full ownership of the Agar and that no alteration in that resolution was possible. It is thus clear that the Nawab Saheb was compelled to yield most unwillingly to the determined

wishes of Government to take away the Agar from the State. The resistance of the State was overcome by continued pressure from A.D. 1832 to 1840, in which year a treaty was entered into between the British Government and Radhanpur State, whereby the latter ceded to the former the whole of the salt works in consideration of an annual payment to the Radhanpur State of a sum of Rs. 11,048.

The amount of compensation so fixed was also highly inequitable and the protests and proposals of Radhanpur were not heeded. It was pointed out by the Nawab Saheb that the output of salt was yearly increasing and that it was not fair to fix the amount of compensation on the basis of half of the income that Radhanpur was then getting on the basis of the then ruling price which was 8 annas per pacca maund. Radhanpur backed up its contention by offering that if Government gave up their half share, Radhanpur would give Government compensation at the rate of Rs. 25,000 a year. But all this was brushed aside and the will of Government was imposed upon Radhanpur, and the salt works were taken away and an annual payment of Rs. 11,048 to Radhanpur was ordered.

Under the arrangement of 1840 it was provided by the 6th Article that the limits of the salt works taken over by Government would be fixed, and that no encroachment would be made on the other lands of the State, but that if more land was taken a fair price would be paid. It appears that the original limits of the salt works were extended and in 1853 as many as 12 wells for the manufacture of salt were sunk in land situated beyond the old limits. After repeated complaints on the part of the Durbar on this point the matter was investigated in 1868 by Colonel Arthur who recommended to Government that Rs. 3,600 per year as additional compensation be paid to the Durbar.

On the 18th of May, 1868, the Government of Bombay, by their resolution No. 1,315, sanctioned Colonel Arthur's proposal and the same was communicated to the Durbar who remained under the belief that the payment of Rs. 3,600 per year was sanctioned. It appears that later on in 1872 the Bombay Government altered their original decision and held that Rs. 3,600 was to be paid only once and not annually. The Durbar insistently applied to be furnished with the copies of the report and correspondence leading up to this order. But Government refused to comply with the request and the Radhanpur Durbar is even now unacquainted with the materials upon which Government decided against it, or with their reasons for such a decision. In the year 1875 Government entirely closed the Agar and ceased to manufacture salt at Anvarpore.

Representation on the above lines was made to the Government of India but they were not pleased to reconsider the matter, merely on the ground that the relaxation of the agreement of 1840 would unfavourably affect their own salt revenues without any consideration for our revenues. It is evident that the policy of Government in this matter has been entirely one-sided and that it matters very little if the prohibition unfavourably affects the State revenues.

The agreement of 1840 though worded to appear as having been entered into voluntarily and by the free choice of the parties, its true character is known by the perusal of the correspondence between the Political Agent and the Nawab Saheb and there is no room for doubt that it was forced on an unwilling State. Besides, when the amount of compensation was fixed it was calculated upon a rate of

duty (or margin of profit) which has not been adhered to. It has varied, thus giving rise to a higher income to the Government while a share of the State in that income has been limited to a fixed compensation. The State considers itself entitled to the difference represented by the higher rates levied to-day as compared with the rate of agreement and rightly asks for it. Besides there is a great possibility of development of this trade in the State as will appear from the development made between 1829 to 1840. The State therefore asks that it should be at liberty to manufacture salt for its own consumption and to export it into British India on payment of the same Excise Duty as the Government-made salt. The State is informed that only lately similar rights have been allowed to the Dhrangadhra State.

APPENDIX I.

Translation of a letter in vernacular dated 25th October, 1837, from Lieutenant Presscott, Political Superintendent, Palanpur.

"The Government undergoes loss in the Anwarpur Salt Works as the other half is not in its control. His Excellency the Governor of Bombay therefore has issued a resolution that the Government should take the sole possession of the salt works. But doing so, the Government has not forgotten not to do any harm to the revenue realised by the Nawab Saheb from the salt works. The Government has, therefore, asked me to request you to give the Agar to the Government on the receipt of a certain sum from the British Government. If you like let the agreement be made for a certain period—say 50 or 100 years or for ever. For this purpose a man well acquainted with the salt questions and who has at his heart much interest in the welfare of His Highness the Nawab Saheb may be sent to Palanpur to answer every query regarding this. The Bombay Government made this resolution on the 17th August, 1837."

Translation of a letter in the vernacular addressed to the Political Superintendent, Lieutenant Presscott, in reply to his above letter.

"With reference to the Government resolution of the 17th August, 1837, I have to say that I am unwilling to part with my share in the Agar at Anwarpur as it is a chief source of my income. I am at a loss to know how the Government incurs loss, though the work is conducted by its own men. The Government knows that the salt works are the property of the Nawab inherited by him from his ancestors. I am much indebted for the kindness of the Government, but sorry I cannot give up the Agar. Kindly with my respects convey above facts to the Government."

Translation of letter in the vernacular sent to the Political Agent, Palanpur, in reply to Government Resolution of the 17th August, 1837.

"During the time of my father the Government had asked for the Agar, but as he showed his unwillingness the Government did not touch the matter. Again after his demise the Government opened the question during the regency of my dear mother in my infancy and

asked for giving over the salt works to the British Government. My mother also showed her unwillingness to comply with the requests, but repeated requests compelled her to give way and she gave half part of the salt works to Government on certain condition. Major Miles, then Political Superintendent, Palanpur, told my mother Jiviba that by this act the State would not undergo any trouble regarding the salt works and the friendship with the British became more durable. In spite of this, it is very strange that the Government again asks for the remaining half part of the Agar. To my utmost sorrow, I am unwilling to comply with the request and part with my ancestral property in any way."

A letter of the 14th Maha sud Samvat, 1894, addressed to the Political Superintendent.

"His Highness the Nawab Saheb is not in any way willing to give up the remaining part of the salt works at Anwarpur, but at the same time he is not inclined to displease the British Government. So the Nawab Saheb desires to dispose of the matter as under.

"When the Government wanted Agar in my father's time, had he given then, better compensation would have been received. But he did not like to give the whole Agar and so he gave half to the Government without any compensation from the Government, but on the contrary it was consented to carry on the work in the Agar jointly. But I can give the Agar on the undermentioned conditions:—

- "1. An annual compensation of Rs. 25,000 may be given.
- "2. As the salt works would go into the hands of the Government, it is impossible for the Nawab Saheb to levy transit duty on salt and so a sum of Rs. 7,000 annually may be given to the Nawab Saheb.
- "3. For the use of the Durbar every year salt should be given free.
- "4. The subjects of the Nawab Saheb may be given salt for their consumption on payment of cost price simply.
- "5. A certain sum and some quantity of salt duty free may be given for charitable purposes as they are always done by the Nawab Saheb.
- "6. The State can recover its vaje and vero from the Agarias.
- "7. No encroachment be made on the land which is not allowed for the salt works.

"These terms may kindly be communicated to the Government."

Memorandum, dated the 11th May, 1839, from the Government.

"(a) Everybody knows that the Supreme Government has the sole power to open and close any salt works and this right has been received by the British Government from the Peshwas. The Government does not think it right that the salt works should be conducted by the Nawab Saheb. Up to now the Government had allowed the Nawab Saheb to conduct the salt works from which it is not to be understood that the right of the Government regarding the salt works is repudiated.

The British Government is not going to break off its usual relations with the State and to discontinue the favour shown till now.

"(b) The Nawab Saheb may be given to understand that the British Government pay for the part of the Nawab annas eight on every Indian maund, and in no way the Government would put the Nawab Saheb to loss. The Government will take the salt works in its hands and thereby the trade will be increased with the increase of produce of salt. Thereby his subjects will be benefitted with the advance of trade."

Answers to questions asked by the Nawab Saheb in his letter of the Maha Sud, 14th Samvat, 1894

1. Government is not prepared to give Rs. 25,000 annually.
2. As for the transit duty on salt Rs. 7,000, the Government would make the salt so much cheaper that it would be impossible to collect the duty.
3. The Government is willing to give salt duty free for the use of the Durbar.
4. As for Article 4, the subject will be discussed later on.
5. For charity purposes, adequate sum and quantity of salt will be given.
6. The Nawab Saheb may receive his vaje and vero from the agarias.
7. As for Article 7, the work will be conducted according to the rules.

You are requested to state:—

1. How much transit duty is recovered by the State annually.
2. What quantity of salt is consumed every year by the Durbar.
3. What amount of money and quantity of salt are expended in charity.

A letter in vernacular, dated the 4th November, 1839, from the Political Superintendent, Lieutenant Prescott, Palanpur.

(1) Requesting to state the actual amount of transit duty the State recovers.

(2) The New Act will come into force in the Anwarpur Agar within 10 days, and so if the Nawab Saheb will not remove his Nakas he will not get any remuneration for any subject, but will be allowed only to charge transit duty.

(3) The Government has first informed the Nawab Saheb that by the new agreement he will be benefitted and would undergo no loss. The Government will pay a certain sum in lieu of the transit duty, though the Government is not going to recover it from the merchants. You and your Karbarees have not understood the new agreement. It is as good as possible. It is, therefore, given to understand that the Government has put the new Act in force in every salt works from the 15th December, 1837, and the agarias have been allowed to sell salt at their own rates. The Government only recovers the duty at annas eight per every Indian maund on the salt already sold.

(4) A great deal of time has passed in the settlement of this matter. but we have not come to any conclusion. Please inform your Karbaree to give proper answers and come to decision as early as possible. It is no use wasting time in such a great question. Please give an early reply. A Government servant would come to Anwarpur to take charge

of the salt works. No transit duty should be levied on salt in order to put the new Act in force. It should be given in writing that any sum as compensation given by the Government will be accepted. Now the Government have directed to give the consent without delay. Further delay will go against your interest.

SAMTHAR.

There is already an agreement between the Samthar State and the Government of India and it is working satisfactorily, therefore it requires no change.

BANSDA.

This question is mainly connected with those States that used to manufacture and export salt. We are particularly interested in so far as the monopoly for manufacture and export on the part of the Imperial Government affects the subject of States. Heavy taxation on salt has been raised in recent years without any consequent gain to the State or its subjects. As the increase was necessitated to stabilise the Budget of the Imperial Government, some States have been given compensation for the loss they have derived on account of abolition of transit duties.

Compensation to States should be given from the profits of the Imperial Government, and should be equitably based on population and consumption.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

The Salt compensation to the State should be adjusted quinquennially, and the State should be allowed to import salt on paying the duties in British area.

RAJKOT.

Manufacture and export of salt by the Durbars is the question marked 9 on the question list. The Princes of the Chamber are going to submit a resolution in the form of a memorial to the Viceroy, evincing the economic loss sustained by the subjects of Native States, that even the most essential commodity to every man—the common salt—has to be imported from British Territory, and in case of any State getting a privilege of manufacturing salt in a State it is called upon to impose duty for exporting it in the Native State; so that no benefit

is derived by Native States' subjects even if the salt be made in a Native State. The Government, with a view to making revenue from some of the most useful commodities of public utility, have, I believe, dubbed salt as a commodity of Imperial consideration; and therefore to manufacture such a commodity permission is required and it is treated as a commodity as essential as gold. Without salt no human being can live, and when the utility of it is so great, Government seems to have treated that commodity equal in importance as gold. The Native States' subjects have to pay for their salt and fill the coffers of British India.

When the British subjects have such remote considerations for the subjects of Native States how can they thrive? It is because some substantial tax might not have to be imposed on the British Indian subjects that the Government thought it proper to coin out that much sum by monopolising salt trade to itself. In my own State I do feel that my subjects have to pay a slight extra money even for salt purposes, which makes me inclined to say that Imperial status attached to salt may be removed and thereby the Government's kindness towards the Native States and its subjects will be very demonstrative.

SACHIN.

This question has not arisen in this State up till now so I am not in a position to make any representation yet.

SANGLI.

Yes. There has been no written agreement between Government and the Sangli State for prohibition of the manufacture of salt. The State, however, prohibited the manufacture of earth-salt in 1879 as the result of an executive order as per Resolution of the Government of Bombay in the Revenue Department, No. 6158, dated the 19th November, 1879, and has since received an annual compensation of Rs. 233-10-6 from the British Government. When Government prohibited manufacture of salt in the State by the Resolution, they were prepared to grant the State compensation for the net loss of revenue caused to it by the suppression of the manufacture of salt, if it was established that such manufacture had been in existence for a period of more than 30 years. In return for payment of the compensation, the Resolution said, the State was expected to cordially co-operate with Government for the protection of the Imperial Salt Revenue. The Joint Administrator, Sangli, reported in his letter of the 10th January, 1878, that the manufacture of earth-salt had been put a stop to in the State, that salt had been manufactured there for over 30 years, that the net revenue realised during the past 10 years had averaged Rs. 233-10-6 annually, and that that sum, therefore, represented the compensation to be paid yearly to the State. Government were pleased to order the annual payment of the sum as compensation to the State.

The owners of salt pans in the State felt aggrieved that no compensation had been given to them for the permanent loss they had suffered by those works being closed by order of Government. The Joint Administrator, Sangli, enquired whether Government were prepared to grant them compensation or not. The reply was that Government were not, although they admitted "that these people will be deprived of their occupation in connection with the earth-salt manufacture by the closing of the work." Government said: "They [the owners of salt pans] have other means of obtaining a livelihood such as collecting chunam kankar to which they can have recourse or they can devote themselves to any other calling. Their number in Sangli must also be very small . . . Government have compensated those who directly gained anything from these works, but it appears quite unnecessary that all those who may be remotely affected by the Government measure should be compensated." The loss of the occupation, however, was a direct consequence of the prohibition of the manufacture of earth-salt, for which compensation should have been allowed.

So far as regards the actual loss of revenue to the State, which may be treated as made up to the State by the amount of compensation paid, the fact remains that by consuming salt which has paid a British duty the subjects of the Sangli State are paying a British Indian Tax. It is to the refund of the amount of tax thus realised on the total quantity of salt consumed in Sangli that the State considers itself entitled.

SAWANTWADI.

In the case of Sawantwadi, this subject is not dealt with by treaties or agreements between the State and the Government of India, as will be seen from Case No. VII herewith enclosed. That case will show that the manufacture of salt was stopped during minority administration, when the Ruler had absolutely no voice in the matter. Under these circumstances, the Sawantwadi Durbar naturally expects this subject to be re-opened afresh and a proper agreement, if necessary, be arrived at with the mutual consent of both parties. The stopping of salt manufacture and its export without the voluntary consent or agreement of a State internally independent, is an encroachment on that State's Treaty rights. There is no doubt this is the view of all the States. There is no question of export of salt from this State, supposing it did manufacture salt, because the salt thus manufactured would not suffice for the local consumption. From the case above mentioned, it seems that it was the original intention of the British Government to allow the free transit of salt in Sawantwadi territory from Goa to supply the local needs and to make up the deficiency of the local supply (*vide* para. 3 of enclosure No. 5 of case No. VII). But, in consequence of the Agreement of 1838, which resulted in the Customs being made over to the British Government, the facilities which the subjects of the State enjoyed from of old of getting untaxed and cheap salt were denied to them. From the correspondence leading up to the above Agreement of 1838, it seems that the main object of the British Government in wishing to take over the Customs of the State was to

prevent the smuggling of untaxed salt from Goa through Sawant-wadi territory into British India, i.e., to protect the salt revenue of British India. There was not, nor could there have been any objection to the State subjects receiving untaxed salt for their own consumption. But, in the compensation given to the State for its surrender of its Customs, no allowance was made to cover the hardship caused by the denial of the facilities of enjoying duty-free salt by the subjects of the State. Thus, the subjects of the State have been made to suffer in the interest of British Indian revenues. It seems only fair that this hardship should be removed, and it is hoped that during the present period when the British Government is desirous of pursuing a more liberal policy towards the States, it will see that it is so done.

ENCLOSURE No. 1.

Case No. VII.

(Translation.)

After greetings:—The management of the salt pan at Vengurla is (reserved) with us. The arrears for the last year are due from the Gaonkars of the said Bunder (Vengurla). We had requested your Honour to instruct the Gaonkars to come to Wadi and to pay the dues after making up accounts. (In reply) Your Honour had intimated that the Resident Subha Jangire Sindhudurg would be addressed in that connection and that he would do the needful in the matter. Hence, the Resident was addressed by us in the matter and he in turn has replied that Your Honour will decide the matter. Hence, it is requested that the Kamavisdar of Vengurla be instructed to allow to us to manage the salt pan at Vengurla and to see that the arrears due are paid. Bapusaheb and Nanasaheb have been deputed for this purpose with a letter. It is trusted that Your Honour would give due consideration to the matter and send us a reply.

Despatched on 24th Sawal, 1214, i.e., 9th October 1814.

ENCLOSURE No. 2.

Case No. VII.

No. 38 of 1839.

Territorial Department Revenue,

Sawunt Warree,

25th April, 1839.

Sir,

I have the honour to acknowledge the receipt of your letter No. 1287, dated the 16th instant, enclosing copy of a letter from the Collector of Customs in Guzarat and the Konkan, dated the 3rd instant, respecting the customs and salt duties ceded by the Warree State together with a copy of your reply to the same and directing me to take measures to obtain possession of such salt pans as are now worked within the territories of the Warree State and to prevent new ones being established.

2. In reply I beg to state that there are three salt pans in this territory and that the whole quantity of salt annually produced therein is about 1,000 maunds, it is of a very inferior quality and almost

worthless—it is only used by the poorest of the people who are unable to purchase better—and can never be used as an article of export.

3. Some months ago, on my ascertaining that salt was manufactured in this State, I (being at that time an assistant to the Collector of Rutnagiree), endeavoured to prevail on the Chieftain to make over the whole of the salt pans to Government, but as I was unsuccessful the matter remained in status quo.

4. On receiving a communication from Mr. Pelly on the subject of the transfer of the salt pans No. 233, dated the 4th instant, I again proposed the subject to the Chieftain. He expressed his unwillingness to accede to the proposal and I therefore refrained from pressing the matter any further. He has, however, consented to my taking security from the salt manufacturers and prohibiting them from exporting any salt manufactured in this State to any place beyond the limits of this territory; the same rule is to be adopted in the event of any other salt pans being established, which event, however, does not appear at the present juncture likely to occur.

5. I have written to Mr. Pelly on this subject and have forwarded to him the Chieftain's written consent above alluded to, and I venture to hope that the arrangement now made will be sufficient to protect our interests.

6. As the Chieftain is willing to transfer the Salt Pans as proposed by Mr. Pelly I shall await further instructions previous to pressing the matter any further and I humbly trust that my proceedings on this point may meet with the approval of the Honourable the Governor in Council.

7. With reference to the concluding para. of Mr. Pelly's letter to your address, copy of which accompanied the letter now under reply, I beg to state that the customs stations are placed in jeopardy owing to the culpable conduct of the Goa authorities. For the present, however, and with the view of securing Government from loss I have posted guards of irregular sepoys at some of the Nakas and I have adopted every precaution for the safety of the treasure consignments to Vingorla. On this subject, however, I beg to refer you to my letter in the Political Department, No. 36, dated 23rd instant.

I have, &c.

RICHARD SPOONER,
Political Superintendent.

Case No. VII.
Memo.

ENCLOSURE No. 3.

A meeting was held at Raibandar, near Goa, on the 26th January, 1880, in order to settle the terms on which the manufacture of salt in the Sawantwadi State should be discontinued. The following officers were present:—

Mr. A. T. Crawford, Commissioner, S.D., and British delegate for the Portuguese Treaty.

Colonel Westropp, Political Superintendent of Sawantwadi.

Mr. A. D. Curey, Acting Collector, Salt Revenue.

Mr. Sakharam B. Bawdekar, Assistant Political Superintendent.

Colonel Westropp represented that the State of Sawantwadi would be willing to suppress the manufacture of salt on condition of receiving adequate compensation for the loss of revenue which it would thereby sustain and urged that the loss of the privilege of making salt to which the State attached a high value should be taken into consideration in assessing the compensation.

2. The Political Superintendent further stated that the average amount of salt sold annually at the State works was 3,094 Indian maunds, and the average net revenue derived therefrom during the past 10 years was Rs. 4,636, but the revenue derived, had the present rate of duty been in force throughout the whole period instead of only 18 months, would have amounted to Rs. 6,557.

3. The Collector of Salt Revenue pointed out that salt was sold at the State works at Rs. 2-8-0 per maund while at British works a duty of Rs. 2-8-0 was charged in addition to the cost price of the salt, which averaged 4 annas a maund, and was at the present moment considerably more. It was, therefore, probable that if the price at both sets of works were equalized, the Wari sales would fall off, and he urged that some deduction on this account ought fairly to be made in fixing the amount to be paid as compensation.

4. The Political Superintendent also strongly urged that the subjects of the Sawantwadi State would have to pay an enhanced price for British salt in future, and that the British Government could not justly claim the profit derived therefrom.

5. Taking all that had been urged into consideration, Mr. Crawford proposed that the amount of compensation should be fixed at Rs. 5,500 per annum, and after some discussion this was agreed to by all the officers present.

6. It was next pointed out by the Political Superintendent that of the three salt works in the Wari State two were private property and the annual realizations to the owners were as follows:—

Rangnekar Agar	...	...	...	...	...	Rs. 123-3-0
Newgee Agar	...	...	...	...	...	Rs. 96-2-0

The proprietors, he considered, should be compensated by a payment equal to 20 years' purchase of these sums. It was further stated that the sites of these works in their present state could not be utilised for rice or other cultivation and that the expense of rendering the land fit for cultivation would be more than any one would be inclined to incur.

Under the circumstances payment of a lump sum of Rs. 4,386 to these proprietors by the British Government through the Wari State was unanimously agreed to.

G. R. C. WESTROPP,
Political Superintendent.

A. D. CUREY,
Ag. Collector of Salt Revenue.

ENCLOSURE No. 4.

Case No. VII.
Salt.
No. 644.

Revenue Department,
Bombay Castle,
6th February, 1880.

Letter from Mr. A. Crawford, C.S., British Delegate for the Portuguese Treaty and Commissioner, S.D., No. Art.-XII-86, dated 27th January, 1880, Reporting, with reference to Government Resolution No. 5143, dated 3rd November, 1879, that a conference was held on the 26th January, between Colonel Westropp and Rao Bahadur Sakharam Baji for the Savantvadi State, and Mr. Carey, Acting Collector of Salt Revenue, and himself in his double capacity of British Delegate and Commissioner, S.D., at which the suppression of all salt works in Savantvadi was decided upon on the following terms:—

- (i) The State to receive Rs. 5,500 per annum in compensation for loss of revenue, and the proprietor to be compensated in a lump sum of Rs. 4,386.
- (ii) The first payment to be made to the State on or before the 31st March next, and annually at the same date: the payment to the proprietors to be made at once.

forwarding a letter from Mr. Carey, which in a very able manner explains why Savantvadi must be dealt with in a manner quite different from the Jahagirdars of the Southern Maratha Country; and soliciting the earliest possible sanction to this arrangement and to the payments aforesaid.

Resolution.—The arrangements effected appear judicious and likely to lead to a material increase in the British salt revenue. Credit is due to the officers concerned for this satisfactory result of their conference.

2. The Government of India should be requested to confirm the approval by this Government of the scheme now submitted and to sanction the payment of a lump amount now of Rs. 4,386 to the proprietors of salt works in Savantvadi in full compensation for all their rights, and of an annual sum of Rs. 5,500 to the Savantvadi State.

JOHN NUGENT,

Acting Secretary to Government.

To A. T. Crawford, Esq., C.S., British Delegate for the Portuguese Treaty, The Political Superintendent, Savantvadi, &c.

ENCLOSURE No. 5.

Case No. VII.
No. 678 of 1838.

Territorial Department,
Revenue.

To R. Spooner, Esq., Acting 1st Assistant Collector in charge of Rutnagiree.

Sir,

I am directed by the Right Honourable the Governor in Council to transmit for your information the accompanying copy of a letter from

Mr. H. Young to the address of the Collector of Customs in Guzerat and the Koncan, dated the 3rd instant (No. 32), describing the route by which salt, the produce of the Goa territory, finds its way into the States of Warree, Kolhapur and Sattara, and thence into our districts of the Deccan without the payment of the excise duty imposed by Act XXVII of 1837.

2. The remedy proposed by Mr. Young seems to the Governor in Council to be the only one that can be adopted to prevent the destruction of our expected salt revenue, for if the practice which is now commencing be continued, it will be impossible to provide against the introduction of untaxed salt into the Deccan and Konkan, unless by the establishment of a line of Chowkees round the whole of the territories of the Native Chieftains in the collectorates of Ratnagiree, Tannah, Poonah, Belgaon and Dharwar.

3. The Governor in Council, therefore, requests that you will enter immediately into a negotiation with the Raja of Sawunt Warree in order to obtain his consent to our collecting the excise duty, at the foot of all the Ghauts trading into the Deccan from the Warree territory, a measure which will in no way interfere with his receipt from the customs or Transit duties nor, as Mr. Young remarks, with the free transit of salt throughout his territories. You are to understand that for the concession of this privilege Government will not object to give to the Raja such a consideration as may induce him willingly to acquiesce in our plans.

4. No time should, I am desired to observe, be lost in effecting this arrangement, as the salt trade is already finding its way above the Ghauts to the great detriment of our revenue and the evil will not be confined to the salt produced in the Goa territories, but that from the pans in the country of Angria and the Hubshee will, no doubt, soon adopt the same route.

5. By the arrangement proposed the necessity of guarding against the introduction of salt into the Konkan through Warree will not be obviated. Lines of Chowkees must be established for this purpose by the Customs Department to which the requisite instruction will accordingly be issued.

I have, &c.,

L. M. WEID,

Acting Chief Secretary.

Bombay Castle,

20th February, 1838.

WANKANER.

As there are no salt pans at present within the limits of the Wankaner State, it has no views now to put forward on the question of the manufacture and export of salt, but it can rightly claim a free and unfettered right of buying or importing salt from any place it likes, and allowing it to be transported from one place to another within its limits. An agreement obtained by Government from the State Karbhari in 1833, A.D., when the State was under Agency

management, whereby certain limitations were placed upon the State's right was thus not only uncalled for, but is an encroachment on the State's right as there was no consideration or corresponding gain to the State for such an agreement.

WADHWAN.

SAYLA.

THANADEOLI.

This question has no concern with this State as it is an inland State, and, therefore, not in a position to manufacture salt.

AKALKOT.

The State is in receipt of an annual compensation of Rs. 142-0-10 on account of salt which was fixed in the year 1880. This amount is far too inadequate to compensate the State for the loss of its salt revenue. The compensation was fixed in perpetuity as far back as 1880, and since then conditions have materially altered. The amount of compensation was fixed upon a rate of duty which has not been adhered to and the State is deprived of the higher income consequent on the rise in duty and population. The State claims the difference represented by the higher rate levied to-day as compared with the rate of agreement.

AUNDH.

The manufacture of earth salt was prohibited in this State in the year 1880, by paying Rs. 1,045-1-7 as yearly compensation in a lump sum. Since then the consumption of salt has been increasing in proportion to the growing population of the State. The State has been a great sufferer on account of the prohibition of manufacture of salt in the State. A representation was made by the State for the revision of the yearly compensation, but to no effect. The British Government collects a large amount of duty on salt which is consumed by the people of the State. The compensation paid to the State is proportionately very small as compared with the income derived by the British Government from this source. It is, therefore, requested that the compensation should be revised every 5th or 10th year just as is done in the case of Abkari compensation and paid to the State, or the income which the British Government realizes on account of duty on salt should be apportioned to the State in proportion to the quantity of salt consumed by the State people.

BHOR.

Salt production has been the monopoly of British Government. It is also a source of revenue of the British Government. It is an

indispensable necessity of life, and is consumed by the subjects of the State in the same proportion in which it is consumed by the British Indian subjects. The subjects of the State are indirectly paying the tax levied on this commodity which is an urgent necessity of life and of which the British Government holds the monopoly. This State is therefore entitled to share in this revenue based on the ratio of its population.

PHALTAN.

The soil of this State is particularly rich in deposits of salt; and many villages in this State used to manufacture salt. This industry had to be given up by the State as the British Government wanted to secure the monopoly of the Salt trade of India. No doubt a yearly compensation of about Rs. 2009 is given to this State. This arrangement has in the first place deprived the people of this State of a profitable industry, without getting anything in return. Secondly, it has caused loss of revenue to the State. Thirdly, the consumers of this State are taxed indirectly by the Government of India, who alone appropriate the duty on Salt. The recent increase in this duty has the effect of increasing the price without any compensating advantage accruing to the consumers in this State.

To remedy this state of affairs, the first request of this State is that this State should be allowed to produce Salt as before the agreement. If this cannot be allowed, then this right should be leased out by the State to the British Government from time to time for definite periods, and should not be given up permanently, as has already been done. In fact this State urges a revision of the agreement. The amount of compensation was fixed long ago, and the circumstances then existing have changed completely. For instance, population has increased, and the demand for salt has also proportionately increased. It is therefore submitted, that the State should at least be adequately compensated by giving a share in the profits of the Government of India from this monopoly. This share should be determined on the population basis.

MIRAJ (Senior).

There are two kinds of salt which used to be manufactured in the State. One is the earth salt and the other from water of Salt Nalas. The right to manufacture these has been stopped and held in abeyance on the advice of Government. Sea salt is imported as it used to be and import taxes used to be levied. Both sources of revenue have been lost to the State. A small compensation for the suppression of the manufacture of earth salt was fixed years ago by the Government. The amount of compensation remains at the same figure though consumption has enormously increased.

As regards sea salt, it is produced in India and Government levy a royalty on it at so much per maund. The State gets no share in it as it ought. Hitherto the State has lost a large source of revenue. Logically and reasonably it is entitled to a share, and your Honourable

Committee would require no arguments to be convinced about it. The State has the Sovereign rights in the State and as British Government levies such taxes in British India the State too possesses the right to levy similar taxes in the State. The calculation of a standard to fix the proportion would be easy, at so much per head of the population per annum. I am confident your Honourable Committee will doubtless consider it reasonable. Once the rights of the State are recognised, the rest is easy.

MIRAJ (Junior).

This State considers itself entitled to a share in the profits of the salt tax calculated on the basis of its population. And this should be revised every five years, or at least after every census, and at every time the tax is increased or decreased by Government. Subjects of this State have paid a tax, which they would have escaped, had this State chosen not to tax this necessity of life.

JAMKHANDI.

RAMDURG.

Salt production has been the monopoly of the British Government. It is also a source of revenue of the British Government. Salt is an indispensable necessity of life and is consumed by our subjects in the same proportion in which it is consumed by British Indian subjects. Our subjects are indirectly paying the tax levied on this commodity which is an urgent necessity of life and of which the British Government holds the monopoly. Our States are, therefore, entitled to a share in this source of revenue, based on the ratio of our population.

SAVANUR.

No salt is allowed to be manufactured in Indian States. In 1880, a Resolution was passed by Government allowing this State a small compensation annually. My request to Government is that this compensation should be paid in proportion to the amount of salt consumed by the State subjects. In this connection, also, the Ministers have submitted a Memorandum with which I entirely agree.

KURUNDWAD (Senior).

The question about salt is of special importance from the view point of this State. Salt was manufactured on a large scale in the Tikota Taluka of this State from the salt water course of the River "Don." It was consumed by the subjects of this State and was considerably exported. So it was a source of great income to the State, but this manufacture of salt was prohibited by the British Government in the year 1866 (*vide* G.R.F.D., 3446, of 1st October, 1866), and a small amount

of fixed yearly compensation, namely, Rs. 1193-9-3 has been paid to the State since then. While the duty on salt in British India has considerably increased no increase has ever been made in the above amount of compensation paid to this State. I therefore pray that comparatively a fair amount should be paid to this State rather than the fixed amount in proportion to the increase in duty on salt in British India.

MULI.

As this is not a question common to all the States, the Committee is unable to formulate a common reply.

VADIA.

VIRPUR.

This State has no salt works of its own within its limits and hence it does not desire to say anything on the subject, except that in the general financial adjustment of economic relations between the India States and British India, if any benefit or advantage is given to all States generally, this State also should not be left out of consideration but given the same benefit as others.

KOTDA SANGANI.

As there are no Salt Works in my State I have no remarks to offer as regards this item.

LAKHTAR.

Salt works existed in this State before 1883, for manufacture and export of salt outside the State. But the Government wanted its Salt revenues to be increased and safeguarded at the cost of the salt-producing States of Kathiawar. The Government's policy sought to be forced on us, evoked a universal protest from all the salt-producing States of Kathiawar including the Lakhtar State. But the big six of such States, viz., Junagadh, Nawanagar, Bhavnagar, Dhrangadhra, Morvi and Porbandar resigned from their protest and came forward to conclude settlements of the salt question, without in any way consulting the views and wishes of the other States concerned, who had joined in the protest, by throwing overboard their just rights and interests in the expectation of acquiring a monopoly of disposing of their own salt at an enormous price and securing vast profits at the expense of all other States. The aggrieved States, including Lakhtar, made a protest before Col. Barton, the then Political Agent, Kathiawar, in 1882, but it was not accepted by him. The Government having been approached, it invited our representations. The Lakhtar State submitted its protest in 1882, to the effect that the introduction of the

proposed salt scheme and the Salt Regulations in the Sates of Kathiawar, violated the solemn guarantee of the British Government, declaring in emphatic terms, that it would respect all the rights of the States and completely abstain from interfering in their internal autonomy and economy, that the proposed enormous increase in the price of salt would be extremely burdensome to the State and its subjects who obtained salt, the first necessity of life, for a nominal price only, that the proposed arrangement was calculated to be a fruitful source of great bitterness, discontent and complications in all quarters, that the closing up of the Salt Works of certain States and compelling them to purchase it at an enormous price for their use, was a great injury to them, that the odium of placing the burdensome tax with its concomittant evils would fall on Government, that it was quite repugnant to all ideas of justice that the interests of all these States should be sacrificed to those of the six and the British Government, that compelling each of the States to purchase salt from only one of the six against its wishes at a very heavy rate and whether the salt supplied be good, bad or indifferent, was fraught with great hardships, that all salt works of Kathiawar States, wherever situated, should be allowed to be kept open and going and all States should have the option of purchasing salt from any of them as might be convenient, and that proper arrangements should, if necessary, be made for smuggling. But, as was expected, the protest of the States was overruled by the Government, with the result that the objectionable Agreement of 1883 was forced on this State, which deprived it of one of the material sources of its revenues against the guarantee given by British Government itself against interference with its internal economy and independence.

By such policy the Government succeeded in dealing a death blow to the Salt manufacture of the State. But the matter did not end there. Subsequent to the execution of the agreement of 1883, the work of registering the existing Salt sources or works was commenced. This State notified its Salt works in 1884, and approximate out-turn and value were also supplied. But somehow, early in 1886, presumably on the complaint of the Salt Department, the State was asked to close its Salt Works called "new." A Thana was placed by the Salt Department on the spot. The State protested. A survey was undertaken and the spot was mapped out. Evidence was called for as to the existence of the works before 1883, and it was tendered. But the State was told that it had not been able to produce its usual Daftar (records) about brine-wells, and that even supposing that there existed wells in 1880, they were unauthorised, as no wells could be opened within three miles of the frontier without permission (this State was never shown any such Circular and no information about it was ever furnished though it has asked for it) and, lastly, that the agreement of 1883 did not authorise manufacture or preparation of salt, but natural formation alone was allowed. Interpretation placed by the Government was clearly wrong. Protests were made but in vain. Government desired that a fresh agreement should be executed. This no doubt showed the futility of its contention, otherwise fresh agreement would not have been found necessary. Still, however, the State was asked on 26.11.92 to execute a fresh agreement which was intended

to close for ever its salt manufacture. The proposed agreement indicated the nature of the attitude of the Government. The State expressed its unwillingness to execute it. The result was that a final notice was given to it to the effect that whether or not it executed the agreement, it should understand that it could not continue its Salt works. This rather long summary shows that the State has not been given a fair treatment. The Agreement of 1883 expressly provided for manufacture and preparation of salt up to the needs of the whole Province and the place had been duly notified in 1884. The very fact of the agreement of 1883 having the right to manufacture salt, assumed the existence of works, which the Government denied. Still, the State had to forego its right and legitimate revenue to protect the revenues of others. Copies of the Agreement of 1883 and the proposed draft of agreement of 1892 respectively are attached herewith for reference and marked "A" and "B." The State had no choice left but to submit to the mandate of the Paramount Power, despite the fact that the loss entailed thereby on its revenues was immense and its just rights and privileges were denied by a stroke of the pen in spite of its legitimate protests.

The Committee is aware that the Government has now relaxed its policy of such interference in the Indian States and contemplates to discharge its obligations towards them. It is hoped that the Committee will recommend that the Government should revise its salt policy and regard this question from an economic rather than a political standpoint. The immediate disadvantages to the State from the restrictions placed on salt manufacture in its territory, are not small. They close an important source of revenue and mean at the same time higher charges for salt imported from a distance when it might be produced cheaper locally. The State is even not compensated for the loss of revenues it has suffered and will for ever continue to suffer by virtue of the mandate of the Government. It is this State's request that it is entitled to every consideration and it should be allowed the freedom of manufacturing its own salt and selling and exporting it, subject, of course, to taxation in the area of consumption. or failing this, the State firmly believes that it is entitled to the difference represented by the higher rate levied to-day as compared with the rate which prevailed at the time of enforcement of the drastic salt policy; it must be brought into the revised scheme which may be made with regard to the salt-producing States that receive no compensation.

APPENDIX "A."

Agreement dated 9th July, 1883.

The Thakore Saheb of Than Lakhtar recognising the rights of the Paramount Power and the duty incumbent on the Chiefs of Kathiawar so to regulate the production of salt in Kathiawar for the consumption of its inhabitants that no salt produced in Kathiawar may be conveyed into the British districts contrary to the law of British India and to the injury of the salt revenue of the British Government agrees as follows:—

1. That the production of salt in his State as hitherto carried on will continue, but the quantity produced or removed shall not exceed the

quantity required to meet the demand for consumption thereof within the Province of Kathiawar.

2. That the salt manufactured within his State shall be sea salt only, that is, salt produced from sea water or brine wells or naturally deposited as heretofore. That no Baragra salt shall be manufactured within his State.

3. That his administration will be responsible for the observance of the above conditions by all classes of his subjects. That he will prevent to the utmost of his ability the export of salt from Kathiawar by land either into another foreign State or into British India.

4. That he will not enlarge or make any material change in the existing salt works, nor open any new work or salt source in his State, nor permit any salt work or source to be altered, enlarged or opened, without the previous consent of the Government of Bombay obtained through the Political Agent in Kathiawar.

5. That the salt works and salt deposits within his State shall at all times be open to the inspection of the Political Agent or the Assistant Political Agent, and that full information on all subjects connected with the production and distribution of salt in his State shall be supplied to the above-mentioned officers when required.

(Signed.) for Than Lakhtar,

VAKIL SAVJI VAHALJI.

Rajkot, 9th July, 1883.

APPENDIX "B."

Proposed draft for Agreement, 1892.

I, Thakore Saheb of Than Lakhtar, recognising the rights of the Paramount Power and the duty incumbent on the Chiefs of Kathiawar so to regulate the production of salt in Kathiawar for the consumption of its inhabitants that no salt produced in Kathiawar may be conveyed into the British Districts contrary to the law of British India and to the injury of the salt revenue of the British Government agree on behalf of myself and my successors as follows:—

1. That I will prevent absolutely the making of salt within the limits of my State.

2. That I will prevent the collection or removal of salt which may be spontaneously generated in my territory save and except such quantity as may be required *bonâ fide* for consumption within the limits of my State.

3. That my administration shall be responsible for the observation of the above conditions by all classes of my subjects.

4. That I will prevent to the utmost of my ability the export of salt from Kathiawar either into British India or into any other State.

5. That I will furnish full information on all subjects connected with the production and distribution of salt in my State to the Political Agent or to any Officer authorised by the Political Agent to request it.

MALIA.

Salt is produced in my State and I respectfully submit that the time has arrived when our salt agreements should be fully overhauled

and revised. I submit that the restriction as to the area of production and export and sale beyond Kathiawar should be removed. In view of the fact that Bengal is required to import its salt from Europe when cheap salt could be had nearer home in India, freedom of export of salt should be allowed, subject to taxation in the area of consumption. This will provide an outlet for my salt, stimulate my salt trade, meet a long-felt local want in India and cheapen the salt of the people.

THARAD.

In 1879, when Government of India secured the monopoly for salt trade, it negotiated, through the political officers, salt treaties and fixed annual compensation for salt. The compensation was fixed after taking into consideration the then rates of duty or margin of profits which have not been adhered to. When the present duties give Government enhanced profits, it is fair that the compensation fixed for the State at Rs. 175 a year, should be revised periodically, say quinquennially.

It is also urged that while fixing the revised figure the area of the sweet land that has changed saltish since 1879 should be taken into account.

Where there are Kharis in a State its population may be allowed to make use of the free salt more liberally than at present.

WAV.

On the western side of my State, I have considerable tracts of land called "Khari," i.e., salt producing land. In pre-British times and for some time after the advent of the Paramount Power in India the Khari was yielding considerable revenues to my State; but for the sake of financial policy as well as for keeping uniformity in the same, the State was advised in 1847 to lease Khari to Government, and the State was to receive compensation of Rs. 287 annually and free salt for all its villages.

The State has also to contribute towards the maintenance of a portion of the salt-frontier; and the monthly expenses amount to Rs. 69, thus the annual expenditure to the State is Rs. 828, whereas it gets only Rs. 287; unfortunately in 1899 it was decided that free salt would not be supplied to all the villages of my State as hitherto, but that it would be supplied only to those villages which were situated within a radius of six miles from the Khari, thus a curtailment of my already crippled right took place in 1899.

Your Honour will thus see how unnecessarily and without any plausible reason curtailments were made; at present I get only Rs. 287 annually for which I have to pay Rs. 828 plus Rs. 40 for dress of the men which indeed is an unprofitable bargain. If the Khari were not leased to Government, I am sure it would have been yielding a lot of salt and thus money to my State at the present day; but the State does not wish to and cannot recede from the agreement entered into with Government so long back in a spirit of loyalty to and co-operation with the Paramount Power.

My request is that the Khari compensation may kindly be raised to at least Rs. 3,500 annually; I base this figure on calculations of how much I would have got from the Khari; the calculation cannot of course be quite correct, but I believe it is nearly as good as correct, as the figure has been arrived at after great care and on a consideration of various facts and circumstances.

* * *

Those people of my State who do not reside within a radius of six miles from the Khari, use Government salt and thus directly swell the revenues of Government, which in fairness and justice belong to my State, thus, even as a matter of fair play, equity, justice and good conscience, I am entitled to the annual compensation of Rs. 3,500 at least.

Your Honour, mine is a State consisting of barren and unproductive tracts of land, only rain-crops can be raised and naturally the State finds it extremely hard to make both ends meet, even though rigid economy is practised. Nature seems to have placed "Khari" within my territory as if to recompensate the State, and I now pray to you that nature's wishes be given effect to.

* * *

Two very important factors deserve your careful and favourable consideration in deciding the matter, viz., that the prices of salt were considerably low when the compensation of Rs. 257 was fixed, and that the supply of free salt was originally extended to the whole of my State, which was subsequently restricted as said above.

* * *

BHADARWA.

Nature has not bestowed upon us that advantage whereby we can manufacture salt except at a place (village) named Jaspur, situated on River Mahi in this State, where, owing to heavy flow of water from the Gulf of Cambay at the time of tide, the water becomes fit for manufacturing salt. People used to manufacture the same in salt pans. Human beings have no reason to frown at those upon whom nature pours forth its bounty with a smiling face. It has physical aspects too. It is consumed alike by both rich and the poor. Even the poorest cannot do without it. Now, owing to prohibition, no salt is prepared. Under these circumstances we may either be allowed to manufacture salt for the use of my State subjects or we may be given some compensation.

PIPLODA.

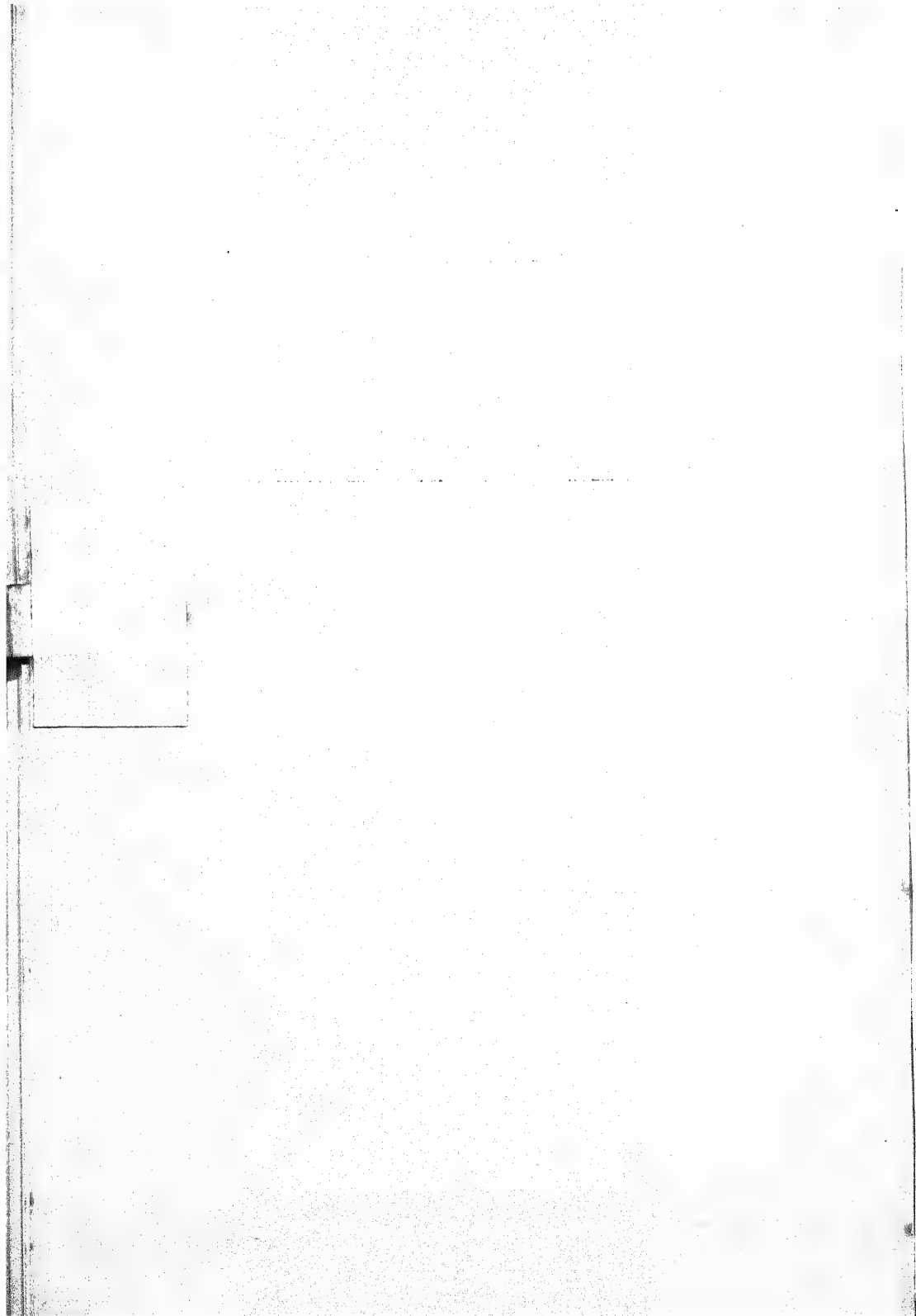
As salt is not manufactured in the Piploda State no comment on the question has been made here.

DUJANA.

The Dujana State has nothing to say in this respect as they have never manufactured or exported salt.

SECTION VI

POSTS AND TELEGRAPHS



FOR OFFICIAL USE

POSTS AND TELEGRAPHS

Summary of Replies Received

To Paragraph 10 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

Extract from the questionnaire issued by the Indian States Committee.

POSTS AND TELEGRAPHS.

10. Have the States any objection to the working of the existing system of telegraph and postal services within their territories, and what claims do they make to the profits, if any, accruing from these services, and in the event of losses, would the States be prepared to share the losses?

HYDERABAD.

His Exalted Highness' Government considers that it has political and economic grievances with reference to Posts and Telegraphs. It feels that its rights might have been considered more in accordance with the broad and generous principles which the Supreme Government always desire to observe in their relations with the Premier State, once their full control over their Postal Department has been admitted and the State has been at pains to perfect the system.

Posts.

The Government of India, without due regard to the inherent rights of His Exalted Highness' Government, have claimed on grounds of Imperial necessity the right to open post offices and plant letter-boxes anywhere in the Dominions (*vide* letters Nos. 6948 dated 25th October, 1892 and 5134 dated 30th August, 1927, copies of which are attached for ready reference); and although, in order to meet the proposal made by the Postmaster-General of Madras in June, 1906, His Exalted Highness' Government has departed from the position set forth in the Postal Agreement of 10th August, 1922, and is delivering all postal articles transferred from British post offices, and bearing British stamps only, without charge throughout the Dominions. Nevertheless the Government of India have on their part consistently refused to grant reciprocity. This claim involves the State in expense and loss not to speak of heavy responsibility for the safety of Imperial mails in transit; since not only has the State to provide police guards for the safe custody of the mails, but the competition with its own postal service means loss of revenue to Hyderabad, and an unnecessary burden of expenditure on the Government of India themselves, as was pointed out by their own Postmaster-General* in Madras. At Wadi, for instance, there was a British mail agent's office which dealt only with letters. Later, an Imperial Post Office was opened without His Exalted Highness' Government being consulted and a police guard had to be appointed at the expense of the State. When His Exalted Highness' Government declined to accept the postal amalgamation scheme which emanated from the Director-General of Post Offices in India it asked that it might be admitted into a Postal Union, but the Residency replied (letter No. 128C, dated 25/9/1905, a copy of which is attached) that they could not accept the suggestion because a Postal Union is possible only between two equal governments. In June, 1923, the following proposals were put forward by His Exalted Highness' Government with a view to the establishment of a better system of exchange of postal articles of all kinds with British India:—

- (1) that the Hyderabad State should be admitted as a member of the International Postal Union;
- (2) that the State service stamps should be recognised on all foreign correspondence;
- (3) that there should be a free exchange of all letters (including insured), parcels and money orders;

* Postmaster-General, Madras, Letter No. 500 dated 6th June, 1906, to the Director-General of Post Offices, sent with Resolution No. 828 dated 20th April, 1907.

- (4) that the State Postal Department should be allowed to send service telegrams on State postal service free of charge;
- (5) that unremunerative British post offices in the State be abolished;

but with the exception of No. 4 the other proposals did not meet with the approval of the Government of India (*vide* Residency letter No. 7098/P, dated 7th December, 1925, copy attached).

There are now 47 British post offices in Hyderabad State and some of these are situated in the interior, far from the railway line. During the last year nearly *seven million* articles were received from British post offices and delivered without charge. This means a loss of revenue of about 1½ lakhs annually, which would be more than sufficient to balance the budget of a department which now shows an annual deficit. Thus the duplication of the postal system in a State which has its own long established postal department, efficiently managed, seems indefensible. His Exalted Highness' request to be admitted to the International Postal Union has been refused on the ground that an Indian State cannot be allowed to assume a status of independence with reference to international postal relations. There seems no reason, however, why reciprocity in this respect should not be granted within India itself, and the present system, which His Exalted Highness' Government can only regard as an unfair competition between the two departments, be abolished.

Telegraphs.

Similar difficulties arise in regard to telegraphs. The Government of India are claiming the right to construct telegraph lines within the Dominions wherever they may wish to do so without any restriction, while the right of His Exalted Highness to construct internal lines of telegraph, wholly within the boundaries of the State and not connected with the All-India system, has not yet been conceded* in spite of the assurance of His Exalted Highness' Government that these internal telegraph lines would not affect in any way British interests†, and further that the British Government would have access to these installations. As no objection has been made to the establishment of long distance telephones, His Exalted Highness' Government can see no reason why the British India telegraphs should be extended to places in His Exalted Highness' Dominions away from railway lines.

I.

No. 6948.

The Residency, Hyderabad.

My Dear Nawab,

25th October, 1892.

The Resident referred to the Government of India the general question raised in the correspondence beginning with your letter No. 54 of the 15th February, 1890, about the allocation of Imperial postal letter

* The Residency in letter No. 42/A dated 14th March, 1922 (copy enclosed).

† (*vide* letter No. 113 dated 15th January, 1927 (copy enclosed)).

boxes at railway stations in His Highness' territory and I am now to communicate the views of the Governor-General in Council thereon as stated in a letter recently received from the Foreign Secretary.

2. In the first place the Government of India cannot regard themselves as in any sense bound under the Agreement of 1882 not to maintain Imperial letter boxes or post offices at any railway stations in the Hyderabad State where they may be needed. That agreement dealt with the "exchange of correspondence" between the British and Hyderabad Post Offices, and its terms did not include any provision for the removal of letter boxes already in use when it was made, or any prohibition against the putting up of new ones in the future.

3. In the second place the Government of India regard it as a matter of Imperial concern, in the interests of India as a whole, that letter boxes of the Imperial Post should be maintained wherever necessary on railway lines running through Native States generally, and in pursuance of that policy such letter boxes are maintained not only in Hyderabad territory but also on railways passing through other Native States. His Highness' Government will readily understand that, with these views, it is impossible for the Government of India, however desirous they may be of considering His Highness' wishes, to make the particular concession desired. And indeed, the Resident feels sure that His Highness' Government would be the last to question the decision of the Government of India in any matter which they regard as being of Imperial concern.

Yours sincerely,
G. R. IRWIN.

The Nawab
Sir Asman Jah Bahadur, K.C.I.E.

II.

The Residency, Hyderabad.

No. 5134—P.

30th August, 1927.

SUBJECT:—IMPERIAL POST OFFICE TEMPORARILY OPENED AT PEDDAPALLI IN THE HYDERABAD STATE FOR THE BENEFIT OF THE SURVEY PARTY DURING 1926-1927.

My Dear Nawab,

With reference to the correspondence ending with your letter No. 1552, dated the 6th August, 1927, I am desirous to invite a reference to Residency letter No. 1162, dated the 14th May, 1901, from which it will be seen that the Government of India have reserved to themselves the right to establish and maintain post offices in Indian State territory wherever Imperial interests may so demand, whether on lines of railways or not.

2. With regard to the provision of escorts for the protection of Imperial mails, I am to observe that, under the Mail Robbery Rules which have been accepted by His Exalted Highness, the Nizam's Government are responsible for the secure passage through their territory of the Imperial Mail and Parcel Post.

3. In this particular case the question of an escort did not arise owing to the proximity of the Peddapalli Post Office to the then terminus of the Kazipet-Balharshah Railway.

Yours very sincerely,

H. W. C. ROBSON.

III.

Copy of a communication No. 500 dated 6/6/1906 from the Postmaster-General, Madras, to the Director-General of the Post Offices of India.

In reply to your letter No. 55 Ns., dated 27/5/06 (the enclosures of which are herewith returned) I have the honour to say that the petitioners acknowledge:—

- (i) That the exchange of prepaid correspondence emanating from the Imperial Post Office intended for delivery by the Nizam's State Post Office and *vice versa* should be so effected that neither administration may levy additional postage on it; or
- (ii) As an alternative that the Nizam's Government should be persuaded to allow the opening of Imperial Post Offices all over the Hyderabad State;
- (iii) and that, in the meantime, an Imperial Post Office should be opened at Indur (Nizamabad).

2. With respect to the first point, I beg to say that the existing procedure for the exchange of correspondence between the two administrations is regulated by the agreement entered into with the Nizam on the 10th August, 1882, *vide* correspondence ending with your endorsement No. 35 Ns. dated 11/4/1906. I understand from a conversation which I recently had with the Resident at Hyderabad that the Nizam's Government desire mutual exchange of correspondence between offices . . . Imperial offices in India without levy of additional postage. The matter is one of political importance, but from the point of view of the Post Office, I consider that such a measure would be of great benefit both to the subjects of His Highness and to many Europeans and British subjects who reside within his territory.

3. The existing Imperial offices in the Dominions under my administration, with the exception of those in Hyderabad and the Cantonments of Secunderabad, are of small importance and widely scattered. They are maintained for the benefit of comparatively few persons and require long lines of communication; in fact they are financially of no benefit to the department. Nothing could be more unsatisfactory than the present state of affairs, and petitions are frequently received by me which show that the inconvenience is one felt equally by the subjects of the Nizam and by British residents in places where no Imperial offices exist. From what I heard in conversation with several officials of the Hyderabad State, I feel convinced that any rational scheme which would dispense with the levy of double postage will be welcomed.

4. With respect to the petition of the merchants of Indur, the question of opening an Imperial Post Office in that town may be referred to the Deputy Postmaster-General, Central Provinces, and it belongs to his circle.

IV.

The Residency, Hyderabad

No. 828.

20th April, 1907.

My Dear Maharaja,

I am desired to forward letter No. M.S. 8-13/67581, dated the 13th March, 1907, and its enclosures received from the Postmaster-General, Madras, regarding the opening of an Imperial Post Office at Indur (Nizamabad). (Original to be kindly returned.)

2. Mr. O'Dwyer approves of the proposal and trusts that His Highness' Government will see their way to sanction it.

Yours very sincerely,

A. B. MINCHIN.

V.

Confidential.

The Residency, Hyderabad.

No. 128—C.

25th September, 1905.

My Dear Maharaja,

I am desired to refer to your letter No. 1879, dated the 27th September, 1904, and to previous correspondence on the subject of the amalgamation of His Highness the Nizam's State Post Offices with the Imperial Postal System.

2. With regard to the remarks in paragraph 7 of your letter I am to observe that there appears to have been some misconception as to the nature of the "partnership" (which was perhaps not a very accurate definition of the proposed arrangement) to be entered into between the Government of India and His Highness' Government. It was never intended that there should be a dual management of post offices in the Hyderabad State, and the term partnership is only accurate in so far as it defines an arrangement under which the Hyderabad State would be entitled to receive any net revenue that might be realised.

3. The view taken by His Highness' Government is that, if correspondence bearing Imperial postage stamps is allowed to be delivered in Hyderabad territory without any additional charge, correspondence bearing His Highness' stamps and emanating from Hyderabad territory should similarly be delivered in British India without any additional charge. This arrangement, which is similar to the international reciprocity of the Universal Postal Union is said to be no more than an extension of the system in vogue for the free exchange of official correspondence, whether registered or ordinary. The Government of India are, the Resident understands, unable to accept the view that a postal union between the systems of British India and the Hyderabad State would be no more than an extension of a system

already existing. For many years past official letters from officers of the Government of India have been actually delivered without any charge by His Highness' post. In 1897 His Highness' Government asked that official letters from its officers, which might have to be delivered by an Imperial post officer, should be treated with similar liberality. The concession was made as an act of official courtesy, the amount of correspondence on either side affected by this arrangement being exceedingly small, and as part of this arrangement it was held that the official correspondence of His Highness' officials, if posted for the first time at an Imperial post office within Hyderabad territory, should be accepted free of postage. Subsequently a question was raised as to free registration in the case of such correspondence when posted at an Imperial post office in Hyderabad territory, and it was ruled that registration was a special service which must be paid for. This ruling caused no difficulty in the case of correspondence posted at Imperial post offices in the Hyderabad State, where the registration fee could be paid in Imperial stamps, but the case of correspondence posted at Hyderabad State post offices, where Imperial stamps were not available, was different. On a representation from His Highness' Government it was decided that such correspondence, though not paid for by Imperial stamps, should be treated as registered correspondence. But I am to lay special stress on the point that the object of insisting on payment for registration was not the improvement of postal revenue, but the reduction of the demand for registration within reasonable limits. It cannot therefore be fairly contended either that the acceptance of Hyderabad stamps in payment of Imperial registration fees at Hyderabad State post offices, or that the free carriage of a very small quantity of Hyderabad official correspondence amounted to a general recognition in British India of His Highness' postal stamps. These exceptional arrangements, therefore, constitute no precedent for a request that His Highness' stamps should be generally recognised in British India.

4. The Government of India cannot admit that the proposal put forward in your letter was no more than a modification of the proposals put forward by the Director-General of the Post Office of India and conveyed to you in the enclosures of my letter No. 1740, dated 17th August, 1903. It goes to their root for it was an integral part of the latter proposals that the postage stamps to be used for articles posted within Hyderabad territory should be the King Emperor's stamps, and the request that there should be an equal exchange on the lines of the Universal Postal Union is tantamount to a claim that the Hyderabad State should be treated in this matter as an independent sovereign power. It is impossible therefore that your proposal as it stands should be agreed to, and in communicating these remarks to you I am desired to invite any further representation that His Highness' Government may desire to make. In the absence of any such representation it appears to the Resident that the present general arrangements must remain in force, the Government of India reserving to themselves, as they do in all Native States, the right to open Imperial post offices in Hyderabad territory wherever the necessity for such post offices from the point of view of the convenience of the public is established.

Yours very sincerely,

W. HAIG.

VI.

No. 42—A
F—105/2

The Residency, Hyderabad.
14th March, 1922.

SUBJECT:—PRINCIPLES TO BE OBSERVED IN THE MATTER OF CONSTRUCTION AND MAINTENANCE OF TELEGRAPH LINES IN INDIAN STATES.

My Dear Nawab,

Kindly refer to this office letter No. 1816, dated the 27th July, 1910, in which the principles followed regarding the construction and maintenance of telegraph and telephone lines in Indian States were laid down.

A summary of the existing procedure followed in the matter of the construction and maintenance of telegraph lines, as shown in column I of the accompanying statement, was referred to the permanent Committee of Princes, now known as the Standing Committee of the Chamber of Princes. As a result of the discussions which took place during the course of meetings in September, 1919, January and December, 1920, and in March and April, 1921, the Committee prepared the revised summaries shown in columns II and III.

The conclusions arrived at by the Standing Committee (column III of the Statement referred to above) as to what they consider should be the policy of Government in the matter of the construction and maintenance of telegraph lines in Indian States were presented to the Chamber of Princes on the 7th November, 1921.

The Chamber generally approved of the report of the Committee, but with reference to paragraph I (6) it was suggested by His Highness the Maharaja of Alwar that the Government of India might take into consideration the question of altering the word "Sanction" to "consent," as defining "accurately and amicably the relations that exist." His Highness pointed that the word "consent" occurs already in paragraph I (3).

Since the report of the Standing Committee was printed, the terms of paragraph 7 have been reconsidered with the result that the Government of India are now prepared to allow all Ruling Princes who are members of the Chamber of Princes to send clear-the-line telegrams outside their State territories subject, however, to the following conditions:—

- (1) that the privilege is only exercised on the occasion of a grave public emergency arising in the State and during such emergency;
- (2) that it is personal to the Ruler himself;
- (3) that it is confined to telegrams addressed to the Viceroy, the Governor of any Province, to the Political Secretary to the Government of India, or to a local Government or a political officer in relation with a State.

I am to request you kindly to favour me, at an early date, with any remarks which His Exalted Highness the Nizam's Government may have to make in regard to column III of the statement referred to in paragraph 2 above.

Yours very sincerely,
D. G. WILSON.

VII.

CONSTRUCTION AND MAINTENANCE OF TELEGRAPH LINES IN INDIAN STATES.

Summary amended in the manner suggested by the Committee of Princes at their Meetings held on the 13th December, 1920, and by the Standing Committee of the Chamber of Princes at their Meetings in March and April, 1921.

(The question of wireless telegraphic installations is not dealt with in this Summary.)

1. The following are the principles observed in the matter of construction and maintenance of telegraph lines in Indian States:—

- (1) The maintenance of a unitary system of telegraph lines throughout India is a matter of Imperial importance and it is advisable that their construction and maintenance should be under the direct control of the Indian Posts and Telegraphs Department.
- (2) The right of States to share in the profits of the system on an equitable basis, to be mutually discussed hereafter, is recognised.
- (3) The right of Indian States to construct and maintain independent lines of telegraph for internal purposes, for gain or otherwise, wholly within the boundaries of a State or States and not connected with the All-India System, is recognised. Where a State desires to take a line into another State, the consent of the latter will be necessary. Where it is desired to carry a line beyond the limits of a State to connect with an Imperial telegraph office, the previous consent of the Government of India will be required. In such cases provision for the pre-payment of messages either by deposit or other methods will be made.
- (4) On account of the importance in Imperial interests of maintaining a complete record of all existing lines, States are invited to send sketch maps of all such independent telegraph lines or of any subsequent additions thereto to the Indian Telegraph Department.
- (5) Where an independent State line competes with an existing line of the All-India System, the fact will be taken into account in any allotment of profits to the State.
- (6) Telegraph lines along State railways with offices used solely for railway purposes. The sanction of the Government of India to the railway would include sanction to a telegraph line (or lines) with offices for purely railway purposes. Where the State wishes to build a telegraph line for purely railway purposes and subsequently desires to open it to the public, this would be arranged in consultation with the Government of India as provided in the next clause, the conditions of which would apply to a case of this nature.
- (7) Telegraph lines along State railways with offices open to the public. After previous consultation with the Government of India, telegraph lines with offices on State railways in Indian States may be opened to public traffic and worked by the State subject to the following conditions:—

- (a) that such telegraph lines and wires as are maintained in Indian States by the Department of Posts and Telegraphs will be maintained on the same terms as regards charges for rent and maintenance as may from time to time be in force in the case of Government telegraph lines and wires along Imperial State Railways;
- (b) that the States work the offices in strict accordance with the rules from time to time authorised for the working of licensed telegraph systems in British India.

NOTE.—(1) Existing arrangements regarding booking of messages on Indian State Railway lines will not be affected by the provisions of this sub-clause.

(2) Where an Indian State Railway line lies exclusively within the boundaries of an Indian State or States, a telegraph line constructed along such railway is not affected by the provisions of this sub-clause so long as it fulfils the conditions of the first paragraph of clause 1 (3).

- (8) That the States recognise that on the occurrence of any grave public emergency, or in the interests of the public safety, the Governor-General in Council may, as a temporary measure and subject to reasonable provision being made for State business—

- (i) take control of any telegraph established, maintained or worked by an Indian State, or
- (ii) direct that any messages or class of messages to or from any persons or class of persons, or relating to any particular subject brought for transmission by, or transmitted or received by any telegraph shall not be transmitted, or shall be intercepted or detained, or shall be disclosed to the Government or an officer thereof mentioned in the order.

NOTE.—If any doubt arises as to the existence of a grave public emergency, or whether any act done under sub-sections (i) and (ii) above was in the interest of the public safety, a certificate signed by the Political Secretary to the Government of India would be conclusive proof on the point.

2. Whenever it is proposed by the Indian Posts and Telegraphs Department to establish a new Imperial Telegraph Office, with the necessary extension of line in an Indian State, the Postmaster-General should address the Political Officer concerned direct, in order to ascertain the views of the State on the project. In the event of a State disagreeing with a proposal, the views of the State would be forwarded to the Foreign and Political Department, and the proposal would not be pressed except for strategic or other similar important reasons. When the proposal for the establishment of such an office emanates from the State, the Political Officer will address the Postmaster-General. The establishment of a new Imperial Office in an Indian State with the consent of the State will not require a previous reference to Government.

3. When a State, having given a guarantee on the opening of a telegraph office in State territory, finds that the line does not pay and wishes for this or other reasons to close it, the line should be closed

unless there are Imperial interests at stake. The closure would, however, be subject to payment of compensation where the period of the original guarantee has not expired.

4. Inland telegrams sent over the Imperial telegraph and licensed telegraph systems on official business of Indian States will be accepted and transmitted throughout India as Raj telegrams, but as in the case of Inland State messages, as defined in the Indian Post and Telegraph Guide, Rule 338, will not be allowed priority over private messages of the same class. The charges must be paid for in Service stamps or in cash or on the deposit account system—see Indian Post and Telegraph Guide, Rules 393 and 394.

5. All Raj telegrams to whomsoever addressed and all private telegrams addressed to officials of Indian States by official designation only will be redirected to any part of India by telegraph free of charge according to the provisions of the Indian Post and Telegraph Guide, Rule 398.

6. Telegraphic abbreviated addresses for Indian State officials will, if required, be recognised and registered without registration fee. Applications for such registration should be addressed to the Director-General of Posts and Telegraphs, Traffic Branch, Calcutta.

7. The Government of India have under reconsideration the question of the privilege of clearing the lines on the Imperial telegraph and licensed telegraph systems. They are at present prepared to authorise Ruling Princes to clear the line within their own territories. In periods of unusual congestion the Government of India are prepared to authorise Ruling Princes specially affected to mark messages "Priority" as a temporary measure.

Political Department,
H.E.H. the Nizam's Government,
Hyderabad-Deccan.

No. 113.

My Dear Major Robson,

15th January, 1927.

Kindly refer to the correspondence ending with Major (now Lieut.-Colonel) Wilson's letter No. 42—A, dated the 14th March, 1922, regarding the principles to be observed in the matter of construction and maintenance of telegraph lines in Indian States.

In reply, I am desired to state that His Exalted Highness' Government feel that the paucity of telegraph offices in the Hyderabad State serves as an impediment to the development of commercial enterprise, while at the same time it is not conducive to quickness or expedition in the despatch of the business of administration. In order, therefore, to overcome this drawback, they desire that in accordance with the conclusions arrived at in the revised summary shown in column III of the statement enclosed with the above letter, they may be allowed to construct and maintain independent lines of telegraph for internal purposes, where necessary, within the boundaries of the Dominions.

These telegraph offices will not affect in any way either the Imperial interests or the British telegraph offices in the State, and the British Government will have access to these installations on the same principle as is observed in the matter of State post and telegrams on the railway line.

In this connection I am also to say that His Exalted Highness' Government contemplate availing themselves of the privileges granted by the Government of India to the Indian States in regard to clear-the-line telegrams, and wish to be permitted to send such telegrams outside the State, subject to the conditions laid down in para. 5 of the letter.

I am to request that you will kindly communicate the wishes of His Exalted Highness' Government to the Government of India and obtain their consent to the proposals made above.

Yours very sincerely,

(Sd.) MAHDI YAR JUNG.

No. 7098—P

The Residency, Hyderabad.

7th December, 1925.

SUBJECT:—REQUEST OF HIS EXALTED HIGHNESS THE NIZAM'S GOVERNMENT FOR CERTAIN IMPROVED FACILITIES IN POSTAL MATTERS.

My dear Nawab,

Please refer to your letter No. 1489, dated the 27th June, 1923, in which the following proposals were put forward:—

- (i) that the Hyderabad State should be admitted as a member of the International Postal Union,
- (ii) that State Service stamps should be recognised on all foreign correspondence,
- (iii) that there should be a free exchange of registered (including insured) and value payable articles, parcels and money orders,
- (iv) that the State Postal Department should be allowed to send service telegrams on State Postal Service, free of charge,
- (v) that the unremunerative Imperial Post Offices in the State should be abolished.

2. The above proposals have received the careful consideration of the Government of India and I am now desired to communicate their decision.

3. As regards (i), the policy of the Government of India has always been to regard India as a unit for international purposes, and whatever postal arrangements are made with an Indian State for the convenience of communications within the Indian Empire, they regret they are unable to concede that an Indian State should be allowed to assume a status independent of India with respect to international postal relations. His Exalted Highness' Government will, the Resident thinks, recognise the force of this contention.

4. In respect of proposal (ii), it has never been the practice of the Government of India to recognise the stamps of any Indian State in payment of postage, and such a recognition has not been accorded even to the overprinted stamps of the Indian States who have come under the Postal Convention System. In this connection, I am to invite a reference to this Residency Confidential letter No. 128—C, dated the 23rd September, 1905, and to inform you that the Government of India regret their inability to agree to this proposal.

5. As regards the free exchange of registered and value payable articles, &c., the Government of India have recently decided, after an exhaustive examination of the question of the extension of the system of Postal Conventions with Indian States, to adhere to the present policy of Postal Unity and not to enter into any further Postal Conventions with them. In the circumstances, as already stated in letter No. 1123, dated the 15th May 1912, to the Minister, the Government of India regret their inability to agree to affording any greater postal facilities to the Hyderabad State, unless, of course, His Exalted Highness the Nizam's Government are prepared to agree to the amalgamation of their post office with the Imperial post office of India.

6. With regard to proposal (iv), the Government of India are pleased to agree to His Exalted Highness the Nizam's Postal Department sending "Service telegrams" on the State Postal Service free of charge; and this arrangement may be taken as coming into force with effect from 1st January, 1926. All Postal free services should be "enclaire." I am to request you kindly to favour me with a list of the officials whom it is proposed to authorise to send such service telegrams for transmission to the Postmaster-General, Madras. In this connection, I am to inform you that the Government of India consider it desirable that the power to send postal service telegrams addressed to places outside the limits of the State should be restricted to a small number of selected officials.

7. In regard to proposal (v), I am to inform you that the Government of India are unable to agree to the general closure of Imperial Post Offices in the State, but are prepared to consider the matter in particular instances where a closure might be necessary and advisable.

Yours very sincerely,

H. W. C. ROBSON.

BARODA.

The State should be allowed to work these systems under a convention with the Government of India. This will be to the best interests of the State and its subjects, as post offices can be used for opening rural savings banks, &c. If for its own convenience, the State prefers to delegate the management to the British Indian Postal and Telegraph Department, this department should pay the net profits of the working of the systems to the State. If in the interests of the people, postal and other facilities are asked for by the State in unremunerative areas, the State should bear the loss.

MYSORE.

Regarded in the light of its primary function of distributing letters and telegrams, the State have no complaint to make of the working of the Department. As regards the question of its cost, they would treat this in the same way as they have treated Customs, and say that in a federation it is obviously desirable that Posts and Telegraphs should be federal services, and that the profits, if any, should belong to the Federal Government.

In this connection, they would urge that, in their opinion, these services should be run on a commercial basis and the receipts equated as nearly as possible to the expenditure, and that losses should not be incurred and recouped from other taxation except with the consent of the representatives of all the tax-payers concerned.

As regards the secondary functions of the Post Offices, such as Savings Bank work, Cash Certificates, &c., it seems desirable to consider whether the Post Offices in the State could not conduct these operations on behalf of the State instead of on behalf of the Government of India. The Mysore Government have a Government Savings Bank, a Government Insurance Scheme and a scheme corresponding to that of Cash Certificates. If the Post Offices were under the State's control, they would be the obvious agency for working these schemes. Instead of the State having the use of that agency, they have actually rival schemes competing with them within their own territory.

In this connection, it may be observed that the *Anche* of Mysore was a very ancient institution and was extended throughout the whole State as early as 1672 by Maharaja Chickdevaraja Wadiyar, and that when the Director-General of the Post Office first made proposals to take over the whole of the Mysore postal establishments in 1884, he wrote: "The Mysore Government has an elaborate and, I am free to admit, an efficient local postal organisation, which I was told it will not willingly surrender." Accordingly, he suggested, as an alternative to the complete taking over of the Post Offices, a convention under which the Post Offices would continue under State control, but work practically as a branch of the British Post Office. This alternative was favoured by the State, but was subsequently withdrawn on the ground that it had not proved satisfactory in Patiala, where it had been on trial. It may be mentioned that in 1884, when the proposal was made, the duties of the British Post Offices were confined for all practical purposes to those described above as its primary functions. The savings bank work had only been made part of the work of the Post Offices generally in the previous year.

If it were possible to hand over control under some such arrangement as was then offered to be made, the State would be very glad to perform the primary functions as a branch of the British Indian Post Office, while using the Post Offices for their own purposes in respect of the secondary functions.

As regards telegraph offices, they would observe that as long ago as 1923, "the right of the States to share in the profits of the (telegraph) system within their respective territories on an equitable basis" was recognised (Resolution in the Foreign and Political Department, No. 242-1, dated 6th December, 1923), but that no equitable basis of

division has yet been arrived at, and consequently no shares have yet been distributed. On the other hand, the scale of guarantees for unprofitable offices has been increased.

INDORE.

For the reason stated above in para. 5 (a) (9) (copy included in reply to question 7—Mints and Currency), the State would like to have its own Post offices as in Gwalior or Patiala, which have what is called "Postal Convention" with the Government of India. The Postal Convention System, while it gives no trouble to the British Postal Department, is, on the other hand, distinctly economical in working and very advantageous to the States concerned.

KOLHAPUR.

The same may be said about the introduction of the postal system in the State. As in other cases this was also done by the Government during the Maharaja's minority without the slightest regard to the right of the State to have its own postal system. This privilege of a State to have its own Posts was never conceded to any one by the Durbar. In some States like Gwalior the right of an independent Postal System has been recognised to exist, while in some other cases like that of Baroda compensation was allowed in the shape of a grant of service stamps free of cost for their use. In a similar way, the telegraph system was also introduced in Kolhapur by the Government of India. It is needless to say that this encroachment on the Durbar's sovereignty rights also took place during the Ruler's minority and at the hands of the guardian himself. The State has been affording every facility to these departments in so far as their working within the limits of the State is concerned. It has even constructed buildings at its own cost and given them in some cases on a very moderate rent to the Post offices. For over 50 years the outlying treasuries of the Kolhapur State were used for facilitating money order transactions of the Indian Post without charging anything for those services and at much inconvenience to its own treasury accounting. In British India a Post office or Telegraph office would be opened in the discretion of Government even if that office was not self-supporting, provided the Government thought it was necessary in the interests of trade or State business to have such an office at a particular place. If the State requested that a Post or Telegraph office may be opened at a centre which the State expected to develop or considered important from an administrative point of view, none is opened without exacting from the State a guarantee for the full payment of even the slightest loss resulting from that office. The fact that the posts in the State as a whole may be yielding a net revenue is never considered in such cases.

If the Post office belonged to the State this would not be the case, and this is not the case in British India. Owing therefore to the State being deprived of its own Postal and Telegraph system, it is not only put to the loss of a source of revenue but it is subjected sometimes

to great inconvenience. In all cases where a State has not surrendered the right, by express Treaty or Agreement, the Departments concerned must compensate the State by allowing the State's Postal and Telegraph transactions free of charge or by granting to the State the requisite portion of the profit which the Department may yield. The British Posts being introduced during minority, the Durbar moved for free conveyance of the State's Tapal through the British Posts in the State as soon as the State came into the charge of its Ruler, but as appears from Government's letter No. 1906, dated 27th June, 1864, that request was refused. Similarly, the same facilities must be given by the Post and Telegraph Department to the Government of the State for the detection of crimes or criminal conspiracies as it gives to the officials of the British Government. A denial of this facility to the State Authorities must retard the efficient working of the Police and the Judicial Departments of the State concerned. As an illustration of this may be quoted the power which the Government of India has taken to itself to open correspondence of a suspicious character concerning certain important offences, a right which the Governments of the States cannot, but ought to, enjoy.

TRAVANCORE.

Travancore has long had her own postal system known as the Anchal. It was reorganised in 1784, brought more or less on to the lines of the Post office in 1864, and has since been improved from time to time until now it has reached a commendable standard of efficiency utilising, wherever possible, the services of railway and motor transport. It has statutory authority. The British Post office was first established in Travancore in 1857, and is supported by an enactment upon the Travancore statute book. During the year 1926-27 there were working in Travancore 262 Anchal offices and 97 Post offices. The number of covers posted in the Anchal offices in the year was 19,080,093, and in the British Post offices 5,176,088. The Travancore Anchal Savings Bank deposits at the end of the year 1926-27 stood at Rs. 60.08 lakhs, and the British Post office Savings Bank deposits Rs. 4.69 lakhs. The probable reason for this large difference, apart from the larger number of Anchal offices, is that Travancore pays interest at 4 per cent. on deposits as against 3 per cent. in the British Post offices.

2. The Travancore Government recognise the British Indian Government's right to open Post offices anywhere in the State for Imperial purposes; but, so far as the commercial side of the Postal service is concerned, the wishes of the State are now consulted before new Post offices are established in its territory. So long as the wishes of the State in this direction are respected and so long as the number of Post offices does not exceed reasonable requirements, Travancore is prepared to acquiesce in the continuance of the existing arrangements. In view, however, of the fact that the activities of the Postal department in the State are, on the whole, profitable, the Government of Travancore feel that whenever a *bonâ fide* request is made by them for the establishment of a new Post office, it is only fair that the Postal department should comply with such request without demanding a guarantee for the

financial success of that office as they do at present when it is doubtful whether the office will be self-supporting. The only other point in respect of which the State would like to see a change is in the Savings Bank work now undertaken by Post offices in the State. This might be discontinued.

3. There were in 1926-27 28 Telegraph offices operating in the State. The Telegraph is safeguarded by statutory provisions in Travancore. In the case of new Telegraph offices also a guarantee is demanded when it is doubtful whether the office will be self-supporting. This requirement may be dispensed with as profits are not shared with Travancore. As regards the arrangements in respect of the construction and maintenance of telegraph systems in Indian States, the provisions contained in the resolution of the Government of India, Foreign and Political Department, No. 242/1, dated the 6th December, 1923, are deemed satisfactory and the Government of Travancore have no modifications to suggest in that direction. So too in regard to the terms of the Resolution of the Government of India in the Foreign and Political Department, No. 524/1, dated the 18th October, 1923, in the matter of the construction and maintenance of telephone systems.

COCHIN.

It has already been stated that posts and telegraphs are legitimately federal services and that the profits should go to the federal administration. The rights of the States to share in the profits of the telegraph system has also been admitted by the Government of India. The Cochin State within its own boundaries runs and manages its own postal system which is not worked with any eye to profit, but is just able to support itself. The only remark that the Durbar wishes to make in this connection is to point out that the profits of the incidental services like those derived from Post Office Savings Banks, &c., run in connection with the British Post Offices, would naturally enure to the benefit of the State if the State were to be in sole management of the postal department within its boundaries.

JODHPUR.

(1) By an agreement entered into between the Durbar and the British Government in the year 1885, the management and control of all Postal arrangements in the State is vested in the Postal Department of the Government of India.

(2) One of the terms of the original arrangement was that the Durbar was permitted to use Service Stamps for all State correspondence within the State and with its Vakils and officers outside the State. Service Stamps supplied for the purpose were, however, paid for by the Durbar.

(3) This arrangement continued until 1904 when the Durbar represented to Government that in the case of the Bikaner and Alwar Durbars a free allotment of Service Stamps was made by Government and the Jodhpur Durbar asked for similar treatment. It was pointed

but that the expenditure up-to-date on Service Stamps in the past amounted to Rs. 77,175. A refund of this amount was asked for, and also an allowance of Rs. 7,000 a year, in the first instance, subject to revision in future as the needs of the Durbar increased.

(4) The refund of past expenditure was refused, but an allowance of Rs. 7,000 worth of Service Stamps was agreed to by Government with effect from 1906. This annual allotment has been increased from time to time as the needs of the Durbar have grown thus:—

										Rs.
(1)	1906	...	...	...	...	...	...	...	...	7,000
(2)	1907	...	...	...	...	...	...	...	...	9,500
(3)	1912	...	...	...	...	...	...	...	...	12,000
(4)	1915	...	...	...	...	...	...	...	...	16,000
(5)	1919	...	...	...	...	...	...	...	...	21,000
(6)	1921	...	...	...	...	...	...	...	...	26,000
(7)	1922	...	...	...	...	...	...	...	...	39,000

These increases have been allowed to provide for the normal expansion of State business, and in addition to provide for increased postage rates and the concession of using Service Stamps on State telegrams.

(5) The allotment of Rs. 39,000 fixed in 1922 has proved to be quite inadequate owing to the general expansion of administrative work, and in February, 1925, a representation was made to Government for a further allowance. This application was refused by Government on the grounds:—

- (i) That the Postmaster General considered, on the basis of statistics compiled, that the requirements of the Durbar should not exceed Rs. 35,000 per annum.
- (ii) That the Postal Department accounts showed that the Post Offices in Marwar were working at a loss of Rs. 48,000 per annum.
- (iii) That in view of this adverse financial position an increase in the allotment of Service Stamps could not be considered.

The reply of Government, however, indicated that the future policy of Government regarding Postal and Telegraphic arrangements, including the allotment of Service Stamps, was under consideration, and it would then be open to the Durbar to claim, in due course, any concessions which may appear admissible under the principles ultimately formulated.

A further representation on the same lines was again made in 1926 to which no final reply has, as yet, been received.

(6) The arguments advanced by Government in answer to the representation made in 1925; viz.:—

- (1) That the Postmaster General considered an allowance of Rs. 35,000 adequate, and
- (2) That the Post Offices in Marwar are being run at a loss are, it is submitted, beside the point.

In the arrangement originally entered into between the Durbar and Government, there was no stipulation that the allowance of Service Stamps should be dependent on the financial results of the Post Offices

opened in the State. It may be added that in the negotiations that preceded the settlement of final arrangements, the Durbar offered to defray the deficit of expenditure over revenue on the working of the Post Offices, but Government would not accept this offer and undertook all the liabilities of management.

(7) The arrangement of a free allotment of Service Stamps was made some 22 years ago. It was clearly intended that the allowance should cover all the correspondence of the Durbar. Since then the administrative business of the State has multiplied many times over and the demand for Service Stamps has naturally increased in proportion. In addition, postage rates have been enhanced by Government.

(8) It is not known on what basis the Postmaster General has assessed the requirements of the Durbar at Rs. 35,000 a year, but the Durbar can readily produce figures to prove that the present day legitimate requirements are far in excess of this figure.

(9) The argument that an increased allotment cannot be made as the Post Offices are run at a loss is a novel one. In past years Government has recognised the growing needs of the Durbar and has accordingly increased the allotment from time to time, without reference to the loss incurred on the Post Offices. The volume of business done by the Post Offices has in recent years increased enormously (see figures below). If the department is run at a loss even with this increased volume of business, it is clear that the loss must have been even larger in former years when this line of argument was never raised.

The following statistics indicate how the volume of business done by the Post Offices in the State has increased in recent years.

Years.	Total Deposits.	Withdrawals.	Surplus.
	Rs.	Rs.	Rs.
1922-23	6,38,993	6,22,717	16,276
1923-24	6,54,568	4,65,313	1,84,058
1924-25	6,74,940	4,04,832	2,59,800
1925-26	9,55,796	4,14,550	5,41,246
1926-27	7,66,284	3,13,765	4,52,519

(10) The Durbar feels that it should at least receive treatment in this matter equal to that accorded to neighbouring States and in this connection the case of the Bikaner State is cited as an example for comparison:—

State.	Number of Post Offices.	Population.	Allowance of Service Stamps.
Jodhpur	135	1,841,642	Rs. 39,000
Bikaner	46	659,685	35,000

(11) The Durbar renders considerable service to Government in connection with Post Offices in the State, the monetary equivalent of which is assessed at approximately Rs. 60,000 a year, i.e., more than the value of Service Stamps allowed by Government, e.g., :—

- (1) It provides escorts for mails and postal runners.
- (2) It acts as banker for the Postal Department, advancing funds as required at district treasuries for the management of Post Offices.
- (3) It provides buildings for the Postal Department at a nominal rent.

(12) In addition, with a view to economy in the use of stamps, a Central Despatch Postal Office was introduced some two years ago. Under this system all correspondence from the headquarters of the State administration (Jodhpur) to district (Hakumat) headquarters or vice versa is sent under one cover instead of being sent under separate covers by the particular departments concerned. Statistics for the year 1926-27 show that the actual saving in Service Stamps effected by this central system of despatch amounted to Rs. 2,622.

(13) The Darbar has made every effort to effect economies in the use of Service Stamps, but the time has now arrived when the legitimate demand for stamps for purpose of administration has outrun the supply allowed by Government, and in pursuance of the intention of the original arrangement the Durbar asks that the annual allotment should be increased and fixed each year on the basis of the actual quantity of stamps used in the preceding year.

(Copies of the relevant correspondence connected with this case are attached).

ANNEXURES.

1. Letter No. 79 of 1885, dated 13th January, 1885.

From the Resident, Western Rajputana States, to the Director General of Post Offices of India.

2. Letter No. 12,758, dated 4th February, 1885.

From the Director General of Post Offices of India, to The Resident, Western Rajputana States.

3. Letter No. 286, dated 21st February, 1885.

From the Resident, Western Rajputana States, to The Director General of Post Offices of India, Calcutta.

4. Letter No. 13,908, dated 27th February, 1885.

From the Director General of Post Offices of India, to The Resident, Western Rajputana States.

5. Letter No. 1C, dated 7th December, 1904.

From the Senior Member, Mehkma Khas, Jodhpur, to The Resident, Western Rajputana States.

6. Letter No. 3,860, dated 21st June, 1905.

From the Resident, Western Rajputana States, to The Mehkma Khas, Raj Marwar, Jodhpur.

7. Letter No. 3,329/S.P. 13, dated 1st June, 1905.

From the Deputy Postmaster General, Rajputana, to The First Assistant to the Honourable the Agent to the Governor-General, Rajputana.

8. Letter No. 6,936/P.O. 40, dated 19th November, 1905.

From the Resident, Western Rajputana States, Jodhpur, to The Mehkma Khas, Raj Marwar, Jodhpur.

9. Letter No. 531/P.O. 6 A, dated 5th February, 1925.

From the Political and Judicial Member, State Council, Jodhpur, to The Resident, Western Rajputana States.

10. Letter No. 871-c/77-14 of 1925, dated 24th September, 1925.

From the Resident, Western Rajputana States, to The Political and Judicial Member, State Council, Jodhpur.

11. Letter No. 1,086, dated 22nd July, 1926.

From the Political and Judicial Member, State Council, Jodhpur, to The Resident, Western Rajputana States.

ANNEXURE I.

Letter No. 79 of 1885, dated 13th January, 1885.

From the Resident, Western Rajputana States, Jodhpur, to the Director General of Post Offices of India.

I have the honour to enclose a memo. setting forth the terms on which the Marwar Durbar will accept your proposal to establish Post Offices at all the parganah Headquarters of the State.

2. In para. 2 of your letter No. 7367 dated 17th September last you remark that in your opinion "the fact that the postal lines in Jodhpur territory are protected by the State police does not constitute any claim on the Post Office for special consideration as all Native States are required under Government rules to guarantee the safe passage of mails in their limits."

3. I did not mean to say that Marwar was entitled to more consideration than other States which protect the mails but surely all those who protect the interests of the Post Office are entitled in equity to more consideration from it than those who do nothing for it. It is on the broad principle of justice that the claim of the Durbar is based, and I believe you are prepared to accept that basis.

4. The negotiation will, I fear, fail and involve much harassing correspondence if the application of the Durbar to be allowed to send its Vakalat correspondence by official rates is not conceded.

5. It must be remembered that the Durbar has been debarred for many years from using the Post at service rates and might from its point of view treat this as a grievance.

Memo.

The Jodhpur Durbar is ready to accept the offer of the Director-General to establish post offices at the Headquarters of each parganah, and to defray the deficit of expenditure over revenue on the following understanding:—

1. In calculating the deficit, the revenue of existing post offices in Marwar shall be taken into consideration, not only the new and generally unprofitable ones about to be opened.

2. Also, in calculating the deficit, money at present devoted by the salt department to the maintenance of lines to Phalodi and Bhatkee should be deducted from the total cost of the Marwar lines as well as the revenue of the offices.

3. So far as is necessary to maintain communication with parganah headquarters the postage-free State correspondence shall be allowed to pass through British and other territory, thus, the Marote, Sambhar, Parbatsar, &c., correspondence must pass through the Ajmere district, and Kishangarh, the Sanchor must go through Deesa.

4. The use of Service Stamps shall be immediately allowed to the Durbar in communicating with its regular Vakeels; viz., those at Aboo, Jeypore, Oodeypore, Bikaner, Palanpore, Thar, Parkar, Erinpura, Rajputana State Railway, Beawar, Resident's Vakeel when the Resident is in Sirohi or Jeysalmere, Vakeel of Court of Vakeels when absent from Jodhpur.

I do not suppose there can be any possible objection to the first three stipulations, but the fourth may be thought too great a concession. I earnestly hope that the Director-General will favourably consider what is asked for. It must be remembered that the correspondence with these Vakeels outside the State is very trifling, and it is much more for the name of the thing than for the pecuniary advantage it would bestow that the Durbar makes a point of it. The distance of each Vakeel from the Jodhpur border is not great, and letters would never travel very far beyond it except in communicating with the Thar and Parkar Vakeel, to whom a cover is sent about once a month. Perhaps the Durbar would assent to exclude this last Vakeel as being out of Rajputana, but I should be glad if the exclusion were not insisted on.—8th January, 1885

ANNEXURE 2.

Letter No. 12,758, dated 4th February, 1885.

From the Director-General of the Post Offices of India, to the Resident, Western Rajputana States.

I have the honour to acknowledge receipt of your letter No. 79 of the 13th January, 1885, giving cover to a Memorandum of the terms on which the Marwar State is willing to accept the proposals made in my letter No. 7367 of the 17th September last for establishing Post Offices at the pergannah headquarters of the State.

2. I am afraid that I cannot agree to the exact terms put forward by the State. To utilize the income derived from one office for the establishment of other offices, without regard to probable receipts from the new offices, is to adopt a principle which is not admitted in the Post Office, where development only takes place as each new office or line opened experimentally is found to pay its way. I am quite willing, however, to admit that in a case of this kind both sides must be fairly considered, and that the State is reasonably entitled to ask that its offices and lines should be dealt with as a whole.

3. I am, therefore, prepared to undertake the whole management of the Post Office arrangements in the Marwar State, and to open communication with the pergannah headquarters without calling upon the State to contribute anything. State correspondence will then be carried within the limits of the State, not free but at official rates, and in consideration of your strong representations, the correspondence for the State Vakils* shall be sent, as a special case, under the same system.

4. I trust that the State will recognise that the present proposals are made in liberal spirit in the real postal interests of the State and on hearing from you shall be glad to give the earliest effect to them.

ANNEXURE 3.

Letter No. 286, dated 21st February, 1885.

From the Resident, Western Rajputana States, to the Director-General of the Post Offices of India.

I have the honour to reply to your No. 12,758, dated 4th February, 1885, that the Marwar Durbar frankly accepts your offer to "undertake the whole management of the Post Office arrangements in the Marwar State, and to open communication with the pergannah headquarters without calling upon the State to contribute anything.

"State correspondence will be carried within the limits of the State at official rates," and the State correspondence with its Vakeels at the places specified in the footnote will also be at official rates.

2. Of course, it is not intended that the fact of covers going outside the State in order to be conveyed from one part of the State to another should bar the use of Service Stamps. I mean, for instance, that covers going from Jodhpur to Sambhar or Maroth via Ajmer or to Sanchor via Deesa, will be charged at official rates.

3. I hope the arrangement now agreed to will be carried out with as little delay as possible.

* Abu, Jeypur, Udeypur, Bikaner, Palanpur, Thar, Parkar, Erinpura, Rajputana State Railway, Beawar, Resident's Vakil when the Resident is in Sirohi or Jeysalmere, Vakil of Court of Vakils, when absent from Jodhpur.

† Abu, Jeypore, Bikaner, Palanpore, Thar, Parker, Erinpura, Rajputana State Railway, Beawar, Resident's Vakil when the Resident is in Sirohi or Jeysalmere, Vakil of Court of Vakils when absent from Jodhpur.

ANNEXURE 4.

Letter No. 13,908, dated 27th February, 1885.

From the Director-General of the Post Offices of India, to the Resident, Western Rajputana States.

In acknowledging the receipt of your letter No. 286, of the 21st current, I have the honour to express my satisfaction that the offer contained in my letter No. 12,758, of the 4th idem, has been accepted by the Marwar Durbar.

2. It will be understood that the present undertaking of the Imperial Post Office is to open the offices and lines shown in the appended statement which the Durbar originally proposed to open when negotiations were entered into with the Post Office. The opening of communications with pergannah headquarters, spoken of in your letter No. 1233, of the 26th July, 1884, has been understood throughout to refer to these offices and lines, to which my letter No. 7367, of 17th September, 1884, expressly alluded, and I only mention the matter because the Deputy Postmaster-General has now submitted proposals for opening a much larger aggregate length of runners lines than shown in the statement and three additional offices.

3. I have issued instructions to the Deputy Postmaster-General to carry out the establishment of the new offices and lines as soon as practicable and have already sanctioned an increase in the supervising staff with this view. In carrying out these measures he may count, I am confident, on your assistance, and the Marwar State will no doubt be willing to provide free building accommodation for post offices. I have asked the Deputy Postmaster-General to address you with regard to individual offices as they are established.

4. The fact that correspondence has to go outside the State limits in being conveyed from one point to another in the State will not be held to be any bar to the use of Service labels.

ANNEXURE 5.

Letter No. IC, dated 7th December, 1904.

From the Senior Member, Mehkma Khas, Raj Marwar, to the Resident, Western Rajputana States.

I have the honour to state that this Durbar was, as you are aware, the first important native State in Rajputana to introduce and expand the system of Imperial Post Offices.

2. Since the introduction of the postal system the only concession that has been enjoyed by this State was the use of service labels on *bonâ fide* Durbar service, which have from time to time been purchased from the Ajmer Treasury to the aggregate value of Rs. 77,175 as per memo. attached.

3. Alwar and Bikaner who have embraced the Government Postal system have been practically allowed the use of Service stamps free (*vide* printed enclosure).

4. Considering the liberal policy hitherto followed by the Durbar in regard to Imperial Post Offices, which has contributed to materially enhance the departmental revenue, and unstinted support that has already been extended to that department, it is hoped that the Paramount Power will be graciously pleased (1) to refund the amount already spent on the purchase of Service Stamps and (2) in future to supply to the Durbar free of cost Service Stamps worth Rs. 7,000 per annum to start with, with a proviso that this free grant will be raised, if not found adequate, provided that amount can be met from the surplus revenue of the post offices in the State.

5. The refund is claimed merely on the strength of the justice-loving nature of the benign Government, who, it is hoped, will be pleased to treat Marwar State in the same way it has done Alwar and Bikaner.

6. However, if the refund is not held permissible, it is respectfully solicited that the amount of free grant as asked for will be allowed as the justice and reasonableness of this Durbar's requisition under this head would be quite apparent by the fact that in the States of Bikaner and Alwar, to which a more liberal free grant has been allowed, the number of post offices is 29 and 28 respectively, whereas there are no less than 2 head offices, 15 sub-offices and 59 branch offices, total 76 in Marwar.

ANNEXURE 6.

Letter No. 3860, dated 21st June, 1905.

From the Resident, Western Rajputana States, to the Mehkma Khas, Raj Marwar, Jodhpur.

With reference to your letter No. 1C, dated the 21st April, 1904, regarding the free supply of Service stamps for the use of the Durbar, I have the honour to forward a copy of a letter No. 3329/S.P. 13, dated the 1st June, 1905, from the Deputy Postmaster-General in Rajputana to the address of the First Assistant to the Honourable the Agent to the Governor-General in Rajputana and to request that you will be good enough to let me know how the amount of Rs. 7,000 worth of Service Stamps per annum asked for by you has been arrived at.

2. I also request that you will be good to let me know the denominations of the stamps that will be required.

ANNEXURE 7.

Letter No. 3329/S.P. 13, dated 1st June, 1905.

From the Deputy Postmaster-General, Rajputana, to the First Assistant to the Honourable Agent to the Governor-General, Rajputana.

With reference to your letter No. 1850/1023-III of 1905, dated the 16th May, 1905, to the Director-General of Post Offices in India, I have the honour to ask why the sum of Rs. 7,000 worth of Service stamps is asked for by the Marwar Durbar. The average annual value of such

stamps used by the Durbar during the past 19 years amounts to Rs. 4,061, while that for the past three years, the usual basis on which such grants are calculated, amounts to Rs. 4,455, so that it would appear to me that a free grant of Rs. 4,500 should fully meet the case. If you concur in this view I shall be glad to receive a detailed statement showing the value of stamps of each denomination that the Durbar desires supplied.

2. I am at one in the view expressed by the Honourable the Agent to the Governor-General, that it is not feasible to consider any claim for Service stamps used in the past. I am of opinion the Director-General will consider favourably the suggestion that the grant might be raised if found inadequate after a period of three years, provided the surplus revenue of the State warrants this.

ANNEXURE 8.

Letter No. 6936 P.O. 40, dated 19th November, 1905.

From the Resident, Western Rajputana States, to the Mehkma Khas, Raj Marwar, Jodhpur.

With reference to the correspondence ending with your letter No. Pos-12/2085, dated the 18th July, 1905, regarding free supply of Service stamps, I have the honour to inform you that the Director-General of Post Offices has sanctioned the free grant annually to the Marwar Durbar of Service stamps to the face value of Rs. 7,000, and to request that you will kindly let me know, for the information of the Deputy Postmaster-General, the designation of the State official to whose address the Stamps should be sent, and also furnish a memo. showing the several denominations of stamps required.

ANNEXURE 9.

Letter No. 531/P.O. 6 A., dated 5th February, 1925.

From the Political and Judicial Member, State Council, Jodhpur, to the Resident, Western Rajputana States.

I have the honour to invite a reference to your office endorsement No. 2990, dated 17th October, 1922, and to say that though the free supply of postage stamps to this State was increased from Rs. 26,000 to Rs. 39,000 with effect from 1st April, 1922, it has been realised by experience that the supply is not adequate to meet the demand of the State Departments, due to the enhancement of postal rates as also to the increase of normal work in the various departments owing to the reforms recently introduced therein.

Owing to the insufficiency of the supply, our stock of stamps exhausts before the end of the year and we have to take recourse to the practice of borrowing from next year's supply; but it cannot go on for ever.

The subjoined statement collected from books of the State Treasury which acts as banker to the Postal Department shows that the postal business too must have increased considerably during the past two years :—

	Rs.
Total deposits in 1921-22	6,13,216
Total deposits in 1922-23	6,38,993
Total deposits in 1923-24	6,69,365

Under the circumstances, it is but reasonable that the postal authorities should be moved in the matter to increase the supply of stamps to this State to remove the difficulty which is felt from year to year.

Here I would also like to cite the case of the Bikaner State. That State, where the number of post offices is 46 only and the population 659,685, receives an annual free supply of postage stamps worth Rs. 35,000, whereas this State, in whose limit the number is 135, that is, nearly three times that of the post offices in Bikaner State and the population is also treble (1,841,642), has its allotment fixed at Rs. 39,000 only.

I shall, therefore, feel much obliged if you will kindly use your good offices with the postal authorities with a view to have the free supply of stamps to this State increased from Rs. 39,000 to Rs. 60,000 a year.

ANNEXURE 10.

Letter No. 871-C/77-14 of 1925, dated 24th September, 1925.

From the Resident, Western Rajputana States, to the Political and Judicial Member, State Council, Jodhpur.

Request of the Marwar Durbar for an Increase in their Annual Free Grant of Service Stamps.

With reference to your letter No. P.O. 6, A/531, dated the 5th February, 1925, on the above subject, I have the honour to state that the Government of India have intimated that from statistics for a short period recently compiled by the Postmaster-General, Central Circle, it appears that the State's requirements of service stamps for official correspondence should not much exceed Rs. 25,000 per annum. The present grant of Rs. 39,000 should, therefore, be sufficient to meet those requirements, and remarks that possibly the State has been exhausting its grant, which is intended only for official correspondence sent by post, in payment of charges on State telegrams.

The Government of India observe that from figures for the year 1923-24, it appears that the Imperial Post Office was working at a loss of Rs. 48,706 in the Marwar State. The financial position is, therefore, so unsatisfactory that no increase in the existing grant would appear to be justifiable under present conditions. The question of the future policy of Government regarding posts and telegraphs in Indian

States, including the allotment of service stamps, is, however, under the consideration of the Government of India and it will then be open to the Jodhpur Durbar to claim, in due course, any concession which may appear admissible under the principles ultimately formulated.

ANNEXURE 11.

Letter No. 1086, dated 22nd July, 1926.

From the Political and Judicial Member, State Council, to the Resident, Western Rajputana States.

I have the honour to invite a reference to the correspondence resting with your office No. 871-C/77-15, dated the 24th September, 1925, anent the question of the increase of the annual allotment of free Service postage stamps to the Marwar Durbar.

2. In your above-cited letter it was observed that the question of the future policy of the Government of India regarding posts and telegraphs in Indian States, including the present question of the allotment of Service stamps, was under the consideration of the central authorities; and it was suggested that it would be open to the Durbar to claim in due course any concession which may appear admissible under the principles ultimately formulated.

3. In pursuance to the above and the hope of an early decision by the Supreme Government, the Durbar have waited so long and did not press their claim for enhancement of the allotment for the time being.

4. The question under the consideration of the Government of India regarding the formulation of their postal and telegraph policy in respect of Indian States is a broad one, and it is not improbable that it may yet take a considerable time to arrive at a final decision upon it.

5. In view of the above, the Durbar are constrained to revive their request for enhancement of the allotment of Service stamps allowed to them at present; and I have the honour to request that you will be so good as to move the Government of India to very kindly see their way to accommodate the Durbar in the matter.

6. It would appear hardly necessary, at this stage, to repeat, at any great length, the various grounds on which the Durbar has laid stress in support of their request for enhancement. Recapitulated briefly, they may be stated as under :—

Firstly, since the allotment was made there has been an enhancement in the postal rates.

Secondly, with the progressive development of the different departments of the State, official correspondence has considerably increased.

Thirdly, the Jodhpur State Treasury is working as banker of the Government Postal Department and for this receives no compensation.

Fourthly, there has been a gradual increase in the postal business during the last 4 years as shown by the following figures:—

Years.	Total Deposits.	Total withdrawn from Durbar Treasury.	Nett Savings.
	Rs.	Rs.	Rs.
1921-22	6,13,210	—	—
1922-23	6,38,993	—	—
1923-24	6,54,568	4,65,313	1,48,058
1924-25	6,74,940	4,04,832	2,59,800

Fifthly, there is really a large number, i.e., 1,272, of British military pensioners in Marwar whose pension payments are made by the Durbar. This has also increased our correspondence, and

Sixthly, above all, the allotment allowed to the Marwar Durbar is, looking to the population and number of post offices, quite out of proportion to that allowed to the neighbouring States, as the following comparison would show:—

State.	Number of Post Offices.	Population.	Value of Service Stamps granted free.
			Rs.
Jodhpur	135	1,841,642	39,000
Bikaner	46	659,685	35,000

7. A due consideration of these facts, it is hoped, will demonstrate that the Marwar Durbar are placed in a position of comparative disadvantage and that their request for the present allotment being raised to Rs. 60,000 worth of Service stamps is not at all unreasonable or exorbitant; and that the Government of India will very kindly see their way to accede to it.

BANSWARA.

The Durbar have no postal convention with the British Government neither are they at present allowed to share the profits accruing to it from these Departments. In view, however, of many administrative and jurisdictional difficulties that have come into being owing to the special rules and regulations issued by the controlling authorities for their working, the Durbar feel that these institutions are a sort of Government within Government of their territory. They are Commercial Departments and their employees reside in State territory and live there just as other subjects of the Durbar do. Yet neither for administrative convenience nor for any offences they may commit

within Durbar's territory are they amenable to the State's jurisdiction and authority. Recently, even the most trivial information of income and expenditure of the post and telegraph offices at Banswara which the Durbar wanted for the Chamber of Princes has been refused.

These offices are not managed and their working not regulated for the comfort and convenience of the general public of the State, just as is the case in British India. The authorities do not open offices at the request of the Durbar, and whenever they do so they secure a guarantee from the State that the State will be liable for any deficit. But there is no assurance on behalf of the British Government that the State would enjoy all surplus profits derived from these offices.

A perusal of the proceedings of the Ministers' Committee composed of officers of the Government of India and Ministers of Indian States, which assembled in Simla on the 21st May, 1924, to discuss the postal relations of the Government of India with the Indian States, will show that the Departments are not working to the advantages and satisfaction of the States.

The Departments do not open offices wherever and whenever the State desires, and do not arrange despatch and delivery of Daks and telegrams just as the public desire, although as the figures of income and expenditure of Banswara Post Office working in the State, communicated by the postal authorities in 1920, as given below, will indicate that they have very large transactions in the State:—

	Rs.
Postal Income	360 13 0
Postal Expenditure	57 0 0
Net Savings	303 13 0

The Durbar dare say that the savings of the Telegraph Office at Banswara are still much higher.

As these Departments are dealing with commercial and general transactions of the Indian States, in the opinion of the Durbar the best course will be that the Government of India may manage them and debit the State with their cost of administration, including *pro rata* supervising charges, and credit the State with the revenues derived therefrom within the Durbar's territory, and for judicial purposes leave them to the jurisdiction of the States, so that the Government of India will be able to retain full administrative control over their working, forming as they are inter-governmental links in the chain of administration; while the Durbar would duly receive their share of profits yielded to the Government of India out of Durbar's territory and would have no complaints to make of an *imperium in imperio* by the existence and working of these British offices in the midst of their subjects and territory.

JAISALMIR.

This Durbar are not inclined to advance, at present, any claims to share the profits or the losses of the existing Government system of posts and telegraphs.

The Durbar are entitled, however, to establish, work and maintain, in their territory, a post and telegraph system of their own, and, in the event of their doing so, no difficulties, they trust, will be placed in their way, and the postal stamps, &c., which they might issue for the purpose, will be recognised as valid by the Government of India on a basis of reciprocity.

PARTABGARH.

Figures of expenditure and receipts connected with posts and telegraph offices which are worked by the Imperial Postal Department are not available to the State. The revenue derived from the Money Order Commission is not known. The Durbar have no voice in regulating the expenses of the Department concerned. Unless the accounts are examined it cannot be stated what profits and loss accrue from these services.

RAMPUR.

The Rampur Durbar has the following remarks to offer on this subject:—

- (a) The Durbar should have jurisdiction over the Post and Telegraph Offices in the State so that offences under the Post Office Act may be triable by the State Courts.
- (b) The Durbar should be given a share in the net income that the Government derive from the Post and Telegraph Offices in the State including, of course, the Savings Bank Account.
- (c) In the olden days the Rampur Durbar used to send its official correspondence to Government officials free of charge. When Branch Post Offices were opened in the State, the Durbar was required to pay for its official correspondence at Imperial rates. The concession was that one anna service stamp could carry ten times the weight that an ordinary postage stamp could. When, however, the Imperial rates were brought down to the level of the ordinary stamps, even this small concession was nullified. The Durbar wants the right of free correspondence to be restored both for inside and outside the State.
- (d) The Local Governments and Political Agents have the power to require the Post Office to return or detain such correspondence, &c., as they may consider necessary in the public interest. A similar right is claimed by the Durbar.

BHAVNAGAR.

I have no complaint to make as regards the working of these two Departments. Although I have a general objection to claiming a share in the other revenues of British India, I would urge that the whole of the net profits at this end should belong to the State, because these two institutions, being locally situated, all income is derived from the subjects of the State concerned, and is thus a direct revenue from its own

people. Similarly, the revenue at the other end should go to Government. This is not sharing of income, but only the use of a direct return from the departments worked on the spot. States claiming the adoption of this principle should be prepared to bear any loss that may occur.

COOCH BEHAR.

The Regency Council can find no objection to the working of the existing system of Telegraph and Postal services within the territories of the State. If, however, a system is evolved in other States whereby the States do derive a share of the profits the Cooch Behar State would expect to receive equal treatment.

DHRANGADHRA.

The Durbar fully associate themselves with the views expressed by the Ministers at the meeting of the committee composed of Officers of the Government of India and Ministers of Indian States which assembled at Simla on 21st and 23rd May, 1924, to discuss this question.

JHALAWAR.

On the question of posts and telegraphs the Durbar have nothing to add to the recommendations of the Ministers' Committee appointed by the Chamber of Princes.

The Durbar, however, desire to invite the attention of the Committee to the fact that since the doubling of the rates of postage it has been found that, in spite of the recent extra grant of service stamps, the quantity falls short of the requirements of the State considerably. The grant should accordingly be enhanced, for the determination of which statistics can be supplied when called for.

JUNAGADH.

The existing arrangements in the matter of Post and Telegraph are anomalous. The British Post Office secures the gross return on all traffic emanating from Junagadh State and retains any profit that there may be upon it. In consideration of this there does not exist any agreement imposing on the Imperial Post Office any obligation to create new facilities of any kind at the request of the State.

There is a parallel organization of Post Office worked by the State which confines its activities to the territorial boundary of the Junagadh State. This organization carries communications of the State free

of charge and the rates for letters and postcards are very much lower than the rates imposed by the Imperial Post. The gross annual income of this organization is Rs. 5,000 and the expenditure debited under this head is Rs. 8,000.

The establishment of telegraphic communication in Junagadh has been the subject of a specific agreement as per copy (*Appendix LV*).

The principle of this agreement was that the capital asset would belong to the State who would guarantee any loss on the working. In actual practice, after some years the obligations imposed on the State inviting such guarantee were found very heavy compared to the benefit and the State desired to be free from this obligation.

Subsequent arrangements in the matter of telegraph work have been that permission of the State is asked for for the establishment of a new Telegraph Office. The State rents premises to the Post Office for these purposes on favourable terms.

No concession in the national service stamps is given to the Junagadh State. When this concession was offered it was confined to traffic in the State area and the State naturally refused the concession for it involved closing up their own Post Offices.

The State regard their own Post Office as a token of sovereignty and as a prerogative of the State. This mark of dignity they are not willing to relinquish for any pecuniary consideration.

So long as the British Government do not make any revenue on the Post and Telegraph Departments, but only make a charge which is roughly equivalent to the services rendered, the Junagadh State does not desire to lay any claim to the revenues of these Departments; but if a substantial profit has been made in the past and is being made at present, then they should be given their share of such a profit *pro rata* on the gross traffic emanating from the State. If the facilities given in Junagadh territory are under the standard of facilities given in British India, these facilities should be correspondingly increased.

APPENDIX LV.

Whereas the State of Junagadh is desirous of having a line of telegraph constructed from Dhoraji to Junagadh, to be worked in connection with the British lines of telegraph, the following terms are agreed upon by Colonel William Warden Anderson, Political Agent in Kathiawar, on the part of the British Government, duly empowered by the Viceroy and Governor-General of India in Council on that behalf, and by His Highness Sir Mohobatkhanji, K.C.S.I., Nawab of Junagadh:—

1. The British Government agrees to construct for Junagadh State a line of telegraph consisting of one wire, to be carried on standards to be erected between Dhoraji and Junagadh at a cost of rupees (14,000) fourteen thousand, more or less, and the State of Junagadh agrees to pay to the British Government the cost of the line as the money may be required.
2. The receipts obtained by the opening of the Junagadh Telegraph Office shall belong exclusively to the British Government, who shall defray the entire cost of repairing, maintaining, and

working the telegraph line between Dhoraji and Junagadh; but when the receipts of the office fall short of the cost of repairs, maintenance and working, the State of Junagadh agrees to make good the deficiency; should there, on the other hand, be a surplus left after payment of all expenses, such surplus shall be handed over by the British Government to the State of Junagadh.

3. With the consent of the Governor-General in Council extra wires may at any time be added by the Telegraph Department for the Junagadh State on terms and conditions to be agreed upon at the time between the Junagadh State and the Government of India.
4. The line shall be called "The Junagadh Branch Telegraph Line," and shall be managed and worked entirely by the Officers of the British Telegraph Department. It shall not be dismantled without the consent of the British Government, but should it at any time be given up the materials of which it is composed shall become the property of the Junagadh State.
5. The accounts of the telegraph line shall be rendered yearly to the State of Junagadh, and the balance shall be adjusted without delay.
6. The State of Junagadh agrees to apply to the Junagadh Telegraph Line the provisions of the British Telegraph Act, VIII of 1860, and such other Acts or legal provisions as have been, or may hereafter be, passed by the British Government with reference to the telegraphs.
7. The State of Junagadh agrees to apply to the Junagadh Telegraph Line any rules or regulations that are now, or may hereafter be made, applicable to the lines of telegraph in British India. The British Government will undertake to furnish the Junagadh State with accurate translation of such Acts, Rules, and Regulations.
8. The State of Junagadh agrees that the Junagadh Telegraph Line shall be opened to the inspection and supervision of the Director-General of Telegraphs and of any Officer deputed by him for that purpose.

W. W. ANDERSON, Colonel,
Political Agent, Kathiawar.
Signed in Native character,
i.e.,

SIR MOHOBATKHANJI, K.C.S.I.,
Nawab Saheb of Junagadh.

20th July, 1874.

(Agreement entered into by the Junagadh Durbar for the construction of a Telegraph Line.)

TRIPURA.

The State has serious objections to the working of the existing system of Telegraph and Postal Services within the State. It claims a

reasonable share of the profits accruing from these services, including those from Postal Savings Bank receipts, and in the event of losses would be prepared to share the same.

BARWANI.

Hitherto the practice has been whenever a requisition is made for opening of a new Post Office the Department asks for a guarantee from the State to make good the loss. When the Post Office becomes paying the State does not get the profits. This is against any principle. He who pays the loss should get the profit. Barwani State asks that the recommendations of the Ministers should be carried into effect without prejudice to any further points that may arise.

CAMBAY.

This question of general application the State would prefer to be considered in the light of the general representations that are going to be made by the more important States.

MORVI.

The Morvi Durbar have no complaint to make as regards the working of these two Departments. As to a share in the profits, the equitable arrangement would seem to be that the two institutions being locally situated, and all income at this end which is derived from the subjects of the State concerned being thus a direct revenue from its own people, the whole of the net profits at this end should go to the State; and that at the other end to the Governmental Post or Telegraph Office, as the case may be.

PUDUKKOTTAI.

We have no Post or Telegraph office of our own, the Post offices we maintained separately having been amalgamated with the Imperial offices several years ago. The Durbars are at present given the privilege of free carriage of their letters superscribed as "On Pudukkottai State Service" within the State and also to the Agent to the Governor-General whose Headquarters are at Trivandrum in the Travancore State. But we have to carry on and do carry on a large volume of correspondence with people outside the State, and we would require these correspondences also to be transmitted to their destinations free of postage or that service stamps sufficient for the purpose be given to us. We are at present paying for the transmission of our telegrams and for this purpose we require that we should be given an adequate supply of service stamps.

We do not at present know what the financial results of the working of the Post and the Telegraph offices are but it is vaguely stated that the working of Post offices generally results in loss and of the telegraphs in profit. We are therefore not in a position to make any definite statement in respect of the matter. If the combined result of the working of Posts and Telegraphs is not a profit we certainly wish to keep the privileges already given to us, but if it is otherwise, we claim, in common with the other States, the benefits which the Government of India will finally concede.

RADHANPUR.

There is no objection to the working of the existing system of Postal and telegraph service, but the State claims a share of the profit accruing out of their services as also from the Postal Savings Bank. The State is agreeable to share the loss, if any. In the event of profit a share of such profit should be paid to the State in cash.

SAMTHAR.

The State concurs with the views and the case submitted by the Standing Committee of the Princes.

TEHRI-GARHWAL.

Among other matters in which Government assistance is necessary for the welfare and better administration of the State in future is the inclusion of the Tehri State among postal conventional States. Apart from the general question affecting all Indian States, the Tehri Durbar stands in the most peculiar position of having been denied postal facilities by the Post Office department on account of cost of running them which would be incommensurate with the revenue that could be derived. In an area of about five thousand square miles, there is only a sub-office and about half a dozen branch offices, while in the neighbouring district of British Garhwal there are about one hundred post offices. The Durbar, if permitted to open its own postal service as a conventional State, could make it cheaper by making it a means of transport of other articles for which at present separate staff has to be entertained.

BANSDA.

Having State Post and Telegraph Offices in the Indian States is regarded as an attribute of sovereignty, not to say of considerable revenue to be derived therefrom. Excepting the five States of Chamba, Gwalior, Jhind, Nabha and Patiala, who are more favourably treated,

the claim of other States has not so far been recognised. In a few cases, some inadequate recompense is made by supplying free service stamps. So far as this State is concerned, even the latter benefit is not being given. It should be recognised that:—

- (1) The Post Offices in Indian States worked by and on the Imperial system yield a good amount of revenue to the Paramount Power, and the share of the Indian States in these profits is not insignificant;
- (2) The Telegraph Department has been joined in the Postal Department, and the larger profits by the latter which is run on a commercial basis are appropriated by the former, with the ultimate result that the profits of the Postal working do not appear so large as they actually are;
- (3) The Imperial Budget under this head is so framed that the money spent on acquiring landed property and on similar charges is not charged to the Capital Cost but is shown under the Expenditure as against receipts. Were this not so, the amount of profits would be considerable, a share from which is rightly claimed by the States.
- (4) Enhancement in Postal rates made to adjust the Imperial Budget also affects the people in States.

The States have to make the following claims to profits, recognising the justifiable principle that they also agree to take their respective shares in pure losses derived in working these two departments.

- (1) The Revenue derived from correspondence and parcels, registered as well as unregistered, issuing from Post Offices situated in States should go to the share of the States.
- (2) Charges on Money Orders emanating to and from the States should be credited to the States.
- (3) Income derived from Savings Bank should similarly go to the States.
- (4) The profits of Telegraph Offices should fall to the share of the States in which they are situate. The profits and loss in working Telegraph Offices should not in any case be amalgamated with those of Post Offices.

It is not intended in putting forth the claims above that the States should be given all the profits, and in fact this is not likely, but that a just and equitable share from the profits should be assigned to the States. Similarly in case of losses, they are to be borne by the Imperial Government as well as by the States.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

The recommendation of the Ministers' Committee should be carried into effect. If any further points arise, the Standing Committee of the Chamber of Princes and its counsel will put forward the same before the Indian States Committee.

RAJKOT.

Question 10 on the role—the heading being Posts and Telegraphs—is considered by the Government as an Imperial item and whenever Government wants to establish a post office in any Native State, it being an Imperial concern, no scope for negative argument is left. It is virtually asserted by the Government that Posts and Telegraphs are Imperial concerns, and therefore places considered as emporium of any trade or signifying any importance, the Government have never failed to endow them with Post and Telegraph amenities. This faculty of administration is truly beneficent to all concerned and I personally have no objection to the Government having Imperial Post and Telegraph offices in Rajkot as also in some of our small district towns. We have our district Postal and Telephone Service and it works at a loss, and is only kept up for public to derive benefit from it. I personally am quite satisfied with the existing arrangement in my State for Imperial Post and Telegraph establishments as they exist now. We have had no occasion so far to enter into any convention, but perhaps later it may be necessary. At present the Imperial Post and Telegraph system does its work and no cause of discontent has arisen so far. We have distinctly been broad-minded in this respect and have no intention to ask for bounties from the Government.

I can understand slightly the Government's decision to treat Post and Telegraph Offices as Imperial units for they have been for more than a century veritably based upon Imperial aspects and we consider them to be likewise.

SACHIN.

I am of opinion that the existing system of postal and telegraph services within this State should be maintained. There is therefore no suggestion to be offered on this point, except that the State should be given some compensation or payment in the shape of free official postage up to a fixed reasonable amount, taking into consideration its population and the income derived by Government from the Post and Telegraph Offices during the past 20 years. I think it would be out of place to claim any part of the profits or to accept responsibility for loss. But as a matter of courtesy Government may be pleased to concede free postage to the States for official correspondence by issuing official postage stamps up to a reasonable amount. In my case I should say about Rs. 1,000 to Rs. 1,500.

SANGLI.

The following is the reply of the Sangli State. The Government of India, according to the summary of proposals enunciating their future

policy with regard to postal and telegraph transactions in Indian States, are now prepared to grant to States with a gross Postal revenue exceeding Rs. 5,000 a year the concession of a free grant of service stamps for internal State postage to be fixed by arrangement between the Durbar, the Political Officers and the Posts and Telegraphs Departments, on the basis of actual requirements as shown by statistics of internal State service postal articles, to be calculated on a two weeks' count in the year, a State requiring additional service stamps obtaining them on payment. In the first place, the limitation of this concession to a State with the particular gross Postal revenue laid down above appears to be arbitrary. It would, therefore, seem that the concession may be extended to every State, whatever its gross Postal revenue may be. The extent of the concession may, however, be regulated in proportion to that revenue. Secondly, if earnings from the Postal Savings Banks in the State are not included among Postal receipts, it is requested that such earnings may be so included for purposes of a correct exhibition of the gross Postal revenue of the States, unless the Savings Banks are not considered to be an integral part of Postal working but are looked upon as a separate institution, in which case the Sangli State would pray that the Savings Banks may in future be run only under special arrangements with the State. In the third place, the State does not know what elements are included in the Postal receipts and expenditure and requests that the same may be made clear. The free grant of service stamps should, it is prayed, cover Postal service charges for all correspondence not only within but also without the State.

According to the summary referred to above, the Government of India are of opinion that the income and expenditure of both the Postal and Telegraph services in the State should be taken together and the balance struck. If there is any surplus, the summary says, Government will hand it over to the States in the form of service stamps which can be used both upon internal Postal articles and on State telegrams. They observe in this connection: "This concession will apply only to States with a total telegraph traffic exceeding one thousand messages a year, and the calculations will be made in the following manner:—(a) Gross revenue from telegrams booked in the State will be calculated against the cost of maintaining the Telegraph service, and half the surplus, if any, will be credited to the State. (b) This amount will be set off against the loss, if any, in working the Post Offices in the State, and the balance, if any, will be paid to the State in the form of service stamps.

As regards the sharing of losses and profits from Posts and Telegraphs, it is suggested on the analogy of profit-sharing agreements in respect of working of Railways that, instead of sharing the net profit half and half with the Government of India the State may take all the earnings resulting from the various branches of Postal transactions and pay the "working charges," that is, those for establishment, rents and contingencies. The surplus of profit due to the State may be made available to it at its option in cash, ordinary stamps or service stamps. As already suggested, the earnings of Postal Savings Banks may be included in the figures of Postal receipts, if they are not to be run under a special Agreement with the State.

It should be left open to the State to ask for a Postal Convention on the lines of Conventions existing at present between Government

and certain States. It appears that the Officers of the Posts and Telegraphs Departments, who discussed Postal relations of the Government of India with the Indian States with their Ministers at Simla on the 21st May, 1924, thought that the recommendation of the Ministers, that all important Indian States should be left free to ask for Postal Conventions on the lines of those already existing between Government and certain States, if they so desire, was not unreasonable. The Director-General and the Deputy Director-General of Posts and Telegraphs conceded that, so far as their experience went, the practical working of the Conventions gave no trouble, although the former officer could in no way give any pledge in support of the extension of Conventions. As was pointed out on the occasion, the extension of Conventions would tend to entirely eliminate the loss, which, it is said, the Government of India sustained annually in conducting the Postal business of States. In case, however, the extension of the Conventions with due limitation is not feasible, the States will have to have a voice in regulating the expenses of Post Offices in their territories and further will have to be given the right to examine their accounts. True, there would not be uniformity of the Postal system. But there is no uniformity even now, as was admitted by the Director-General at the time. On the other hand, considerable differences exist regarding the treatment meted out by the Imperial Postal Department to the various States.

It is requested that the notification of the Government of India of 1885 relating to the responsibility of Indian States in the matter of the plunder of Imperial Mails may be kindly repealed.

SAWANTWADI.

The British Indian Postal Department took over the postal arrangements within the State during the management of the administration by the British Government. There was thus no occasion for any acquiescence or agreement of the Ruler. Before this, the then Political Superintendent in charge made arrangements locally, the expenditure of the office being met from an extra charge levied on the correspondence.

In view of Article 6 of the Treaty of 1819, laying down that "The Rajah and his heirs and successors shall remain absolute rulers of the country etc." this State considers itself entitled to have a postal convention if it so desires, and so long as the present arrangements continue, all profits accruing from the posts and telegraphs services, including profits from Savings Bank operations, should be handed over to the State. If there are losses, the State would be prepared to bear them, but in the event of there being losses for a number of years consecutively, say three to five, the State would naturally be expected to demand, and should be allowed, a convention.

On the same grounds as entitle it to a postal convention, the State asks for a free supply of service stamps for all its official correspondence during the continuance of the existing arrangements. This is but equitable and just, and there are many States of a similar Treaty position enjoying this right. At present, allowance is only made in the case of official correspondence carried on by the State and having connection with the affairs of the British Government.

WANKANER.

The States derive no financial benefits from the Post and Telegraph Offices located within their borders, though the profits of these offices, in conjunction with those of the Savings Banks, have assisted the British-Indian revenues considerably.

Another objection is that the Post Office, initially an instrument of public service, is now treated as a commercial institution. The postal department will not entertain an application for the opening of new post offices within State limits unless they promise to be paying concerns. Therefore sometimes the States, that are believed to have cast in their lot with the Imperial Post Office, have to sit helpless without being able to meet the requirements of their subjects.

Even the concessions that were originally allowed to be enjoyed by the States have been withdrawn first by withholding the free supply of service stamps and secondly by bringing the service stamps on a par with the ordinary stamps.

It is therefore proposed that all these difficulties would be obviated if a convention is entered into between the Kathiawar States on one hand and the British Government on the other.

If this proposal is not agreed to, it is proposed that the recommendations of the Ministers' Committee on Government's summary of proposals enunciating their future policy (*vide* App. D after the reply of the Wadhwan State) should be carried into effect. This proposal is made without prejudice to any further points that may arise and on a distinct understanding:—

- (a) that the word "internal" in line 1 in the second sub-paragraph of para. 4 should be deleted; and
- (b) that while setting off the losses of the postal working against the profits of the telegraph working and treating the entire credit balance as due to the State, the whole surplus revenue of the latter and not the half shall be taken into account on the credit side.

WADHWAN.

SAYLA.

MULI.

THANADEOLI.

KOTDA SANGANI.

MALIA.

Posts and Telegraphs.

The States derive no financial benefits from the Post and Telegraph Offices located within their borders, though the profits of these offices, in conjunction with those of the Savings Banks, have assisted the British Indian revenues considerably.

Another objection is that the Post Office, initially an instrument of public service, is now treated as a commercial institution. The postal department will not entertain an application for the opening of new post offices within State limits unless they promise to be paying concerns. Therefore sometimes the States, that are believed to have cast in their lot with the Imperial Post Office, have to sit helpless without being able to meet the requirements of their subjects.

Even the concessions that were originally allowed to be enjoyed by the States have been withdrawn first by withholding the free supply of service stamps and secondly by bringing the service stamps on a par with the ordinary stamps.

It is therefore proposed that all these difficulties would be obviated if a convention is entered into between the Kathiawar States on one hand and the British Government on the other.

If this proposal is not agreed to, it is proposed that the recommendations of the Ministers' committee (*vide* Appendix D) should be carried into effect.

* NOTE.—Any State, having a specific agreement and wishing to base its claim on it, should make out its own case.

APPENDIX D.

Summary of proposals enunciating the future policy of the Government of India with regard to Postal and Telegraph transactions in Indian States.

In all the Indian States and Estates except fifteen the Posts administration is entirely conducted by the Post office of India. Of these fifteen States, five have definite Postal Conventions with the Government of India. The Government of India attach great importance to postal unity in India. They are opposed to separate postal conventions within the Indian Empire, although they have no intention of interfering with those which already exist.

2. Representations have been received from certain Indian States in postal unity with British India regarding:—

- (a) Share of revenue;
- (b) Additional post offices and postal facilities; and
- (c) Free supply of service stamps or inadequacy of the existing grant.

3. On the other hand, it is found that the Indian Post office is put to considerable loss in maintaining postal arrangements in Indian States. The estimate of the deficit upon the working of the post offices in 30 States to which free grants of service stamps are given was calculated to be Rs. 8,24,000 in 1921-22. The question of profit therefore hardly arises. The Government of India are nevertheless anxious to adopt some equitable policy which will be fair both to the Imperial Post Office and to the States.

4. The Government of India are now prepared to grant the following concession in the case of States with a gross postal revenue exceeding Rs. 5,000 a year.

These States will receive a free grant of service stamps for internal State postage to be fixed by arrangement between the Durbars, the Political Offices and the Post and Telegraph Department, on the basis of actual requirements as shown by statistics of internal States Service

* In reply of Muli State only.

postal articles. The postal statistics will be based on a two weeks' count in the year. If any State requires additional service stamps, they can be obtained on payment.

This concession will not affect the existing free grant of service stamps given to certain States or any existing postal arrangement.

5. The Department of Post and Telegraphs will not undertake to open new post offices in Indian States except upon the same conditions as in British India, i.e., that the new offices are actually required and they will fulfil the condition of self-support according to the department standard.

With respect to the question of a share in the profits from telegrams, there is, as pointed out, a heavy deficit at present on the working of post offices in States, and it would be inequitable if the States were allowed to take the telegraph profits while the British Indian tax-payers were made to shoulder the postal loss. The Government of India are, therefore of opinion that the income and expenditure of both the postal and telegraph services in a State should be taken together and the balance struck. If there is any surplus, it will be handed over to the State in the form of service stamps which can be used both upon internal postal articles and on State telegrams.

* This concession will apply only to States with a total telegraph traffic exceeding 1,000 messages a year, and the calculations will be made in the following manner :—

(a) The gross revenue from telegrams booked into the States will be calculated against the cost of maintaining the telegraph service, and half the surplus, if any, will be credited to the State.

(b) This amount will be set off against the loss, if any, in working the post offices in the State and the balance, if any, will be paid to the State in the form of service stamps.

† This concession will apply only to States with a total telegraph traffic exceeding 1,000 messages a year, and the calculations will be made in the manner as suggested by the Ministers.

AKALKOT.

In this connection reference is invited to the late Raje Saheb's Memorial No. 329, dated 30th November, 1922, on the subject of Postal claims of the Akalkot State and the reply received under the Political Agent's No. A. D. M.-11, dated 25th October, 1923, in which the Durbar was informed that the question was under consideration. The State has no objection to the working of the existing system of Post and Telegraph services but the State only desires that a free supply of service stamps should be issued to the State to meet its requirements as the existing Postal arrangements were introduced without obtaining the State's agreement.

* In replies of Wankaner, Wadhwan, Muli, Kotda Sangani and Malia States only.

† In replies of Sayla and Thanadeoli States only.

AUNDH.

There was a guaranteed Telegraph Office at Aundh till 1st June, 1924, when it was closed as the State did not agree to pay the amount of increased guarantee. The amount of original guarantee was Rs. 400, while that demanded at the time of the renewal of the agreement was Rs. 982, i.e., nearly two-and-a-half the times of the original amount. The State could not, naturally, afford to pay such a large amount of guarantee, and so it made representations in the matter to the telegraph authorities but to no purpose. The Telegraph Office at Aundh was used not only by the subjects of Aundh, but also by all the people of the surrounding British villages. Hence it is not at all proper to burden the State with an exorbitant amount of guarantee. Besides the charges of maintaining the Telegraph Office at Aundh were very small as the Postmaster himself did the telegraph work without any extra remuneration. The Telegraph Office at Aundh is thus self-supporting, and hence there is no reason why a guarantee should be demanded from the State. In view of the above facts it is highly necessary that the question of guarantee in connection with Telegraph Offices within the State limits should be absolutely done away with, and no guarantee whatsoever should be demanded. As Aundh is the capital town of the State the Telegraph Office at Aundh should be reopened as soon as possible, without any guarantee. It should be noted that the removal of this Telegraph Office has caused a great inconvenience both to the subjects of Aundh and those of the surrounding British villages.

All the Post Offices in the State are paying concerns. As the Postal Department derives part of its income from the State villages, it is highly desirable that the State should have the required number of postal service stamps free of charge. The State has naturally a claim to make this demand and the question, therefore, deserves the best attention of the Committee.

BHOR.

So far as the posts and the telegraph offices in the State are concerned, it is suggested that after deducting the actual expenses of maintaining them and also the expenses of supervision charges the excess, if any, of the income derived from them including that derived from the Savings Bank and other Sections should be distributed half and half between the State and the British Government. The State is prepared to share the loss that may result in the working of these offices provided the Departments concerned should act in consultation with the State in order to effect economy without any injury to efficiency in their working.

PHALTAN.

This State has no objection to the management of these services continuing in the hands of British Indian Departments. But this State does object to the appropriation by those Departments of all the

profits accruing to them from the Postal and Telegraph services in the State. This State is prepared to bear the losses, if any, provided it is given a voice in suggesting economical management (without, of course, sacrificing efficiency) and a right of examining the accounts of the Departments. The State should also have a voice in opening additional Post and Telegraph offices and giving more postal facilities. The division of profits and losses should be arranged by allowing the State to take all the earnings resulting from the various branches of work of these Departments and pay the "working charges." This State is agreeable to the view that the income and expenditure of both the Postal and Telegraph Departments should be taken together and the balance struck.

In this connection, attention must be invited to one important item of Postal revenue—the Savings Bank. These profits legitimately belong to the State and, therefore, it has a right to claim them. It is believed that the profits accruing from this source are not considered as part of the profits of the Postal Department. If this view is adhered to, then some special arrangements will have to be made with this State for running the Postal Savings Bank in the State limits.

The Savings Bank has another aspect also affecting the State's interests. Issues of public loans by States are not allowed, except with previous intimation to British Government, on the ground that they will clash with similar operations of the Government of India. But there is no reciprocity of obligation in this provision. When Government of India absorbs money from States, through the Postal Savings Bank, it is really doing nothing else but raising a public loan, and for this tapping of the resources of this State no permission or consent of the State is taken. This it is believed is unfair and inequitable.

This State is not given free service stamps which it has a right to claim along with other States. It is understood that the Government of India are now prepared to concede a free grant of service stamps for internal State postage. It is submitted that the provision of free grant of service stamps should not be confined only to correspondence within the State, but should cover all correspondence irrespective of whether within or outside the State.

It is believed that if the surplus, after deducting the working charges, is allowed to be taken by the State, it will be in the form of service stamps. There is no objection to this procedure being followed, if the requirements of the State are sufficient to absorb the amount of this surplus. Otherwise it will have to be paid in cash.

MIRAJ (Senior).

Modern times have made these Institutions a matter of necessity as they are of great use for all business—both for Government and the State and the people. Government have opened such offices in the State with the implied consent of the State. There is no question of a loss, financial or economic, to the State from them, but such interests in the State as are affected will be described below:—

The Post Office does banking business on easy terms with unlimited means at command; local banking business in the State is necessarily affected considerably. The Hundee business has

almost disappeared practically under the competition of the Post Office. But both the Savings Bank and the Money Orders which constitute the banking are matters optional with the people, and the State does not suffer any loss. And the State has no claim for compensation.

But the grievances of the State are:—

The Government Postal Department refuses to open a Post Office, where one is necessary in the opinion of the State, unless a guarantee is given of a minimum income which is stated. Now where a State has permitted the Department to open a Post Office and make profit, which really is a concession given by the State without any condition, it would be unreasonable for that Department to require a guarantee from the State, besides being wanting in courtesy. It is presumed that the State would ask the Department to open an office where there is business and the guarantee becomes an unnecessary feature of over-caution. This guarantee requirement may be abolished. Another important point will be described below.

This relates to the State Service Postage which is charged to the State for Service Postage Stamps. Articles such as letters, parcels, &c., on His Majesty's Service cost Government nothing. A formal accounting and adjustment take place. Each Department pays for the stamps and the value is credited to Government again. Not so with the State Service articles such as letters, parcels, &c. The State has to pay for them. This differentiation is unfair and should be removed by adopting a suitable expedient which will not be difficult to find. The State ought not to be made to pay for such a small service.

There is a Telegraph Office of Government and one at Railway Station at Miraj. The State made a request to give it a telephone connection from the Telegraph Office to the Chief's residence, at the cost of the State. This request was refused on the ground that the Railway Telegraph is a private concern. But one could be given from the Government Telegraph Office.

MIRAJ (Junior).

So far as post and telegraphs are concerned, this State asks that the income and expenditure of both the postal and telegraph services in this State should be taken together and balance struck. If there is any surplus it may be handed over to the State in cash or in the form of service stamps which can be used both upon internal postal articles and on State telegrams.

JAMKHANDI.

RAMDURG.

So far as the post offices in our States are concerned, we suggest that after deducting the actual expense of maintaining them and also the expense of supervision charges, the excess, if any, of the income derived

from them should be distributed half and half between the States and British Government. We are also willing to bear our share of loss that may result in the working of any post offices in our States.

SAVANUR.

The Postal and Telegraphic Departments derive a large income from the State subjects.

The State Police are responsible for the safety of the runners and mail bags passing through its limits. This means a certain amount of extra expenditure, though a very small amount.

In this respect I would request Government to seriously consider the advisability of giving this State the free use of service stamps both for Postal and Telegraphic purposes, as a token of its appreciation of the additional responsibility attached to Indian States in this connection.

KURUNDWAD (Senior).

So far as the post offices of this State are concerned, I suggest that after deducting the actual expenses of maintaining them and also the expenses of supervision charges the excess, if any, of the income derived from them should be distributed half and half between this State and the British Government. Of course the State will have to bear a share in the loss also if loss is incurred in the working of any post office in the State.

VADIA.

VIRPUR.

LAKHTAR.

As these two institutions are locally situated it is but natural that all its income is derived from the subjects of the States concerned. As the income is a direct revenue from the people of the States, the whole of the net profits at this end should belong to it. This is clearly not sharing in the income but only a direct product from the institutions worked on the spot. The State submits that its claim to receive the income from these institutions should in no way affect its internal independence nor should it involve community of political status *vis a vis* British India. It asks, however, that its claim will be considered by the Committee along with that of the other Indian States similarly situated and it will be given the benefit of any scheme that may be ultimately framed with a view to give effect to and uphold their claim to this matter.

THARAD.

In the summary of proposals enunciating the future policy of the Government of India with regard to postal and telegraph transactions, it is stated that the estimate of the deficit upon the working of the post offices in 30 States to which free grants of Service Stamps are given, was calculated to be Rs. 8,24,000 in 1921. In working out the figures, the expenditure on account of the transactions of the S.B. business were included in the items of expenditure but the figures of

receipts on that account were not included as receipts. If the figures be again calculated as suggested there would be no loss. It is therefore requested that this State may be allowed its share in profits of the Postal Department.

The Government are said to be prepared to grant certain concessions in the case of States with a gross postal revenue exceeding Rs. 5,000 a year, viz:—

These States will receive a free grant of Service Stamps for internal State postage to be fixed by arrangement between the Durbars, the Political Officers and the Posts and Telegraphs Department, on the basis of actual requirements as shown by statistics of internal State Service postal articles. The postal statistics will be based on a two weeks' count in the year. If any State requires additional Service Stamps, they can be obtained on payment.

But with respect to this it is requested that the word internal in line 2 should be deleted because it is found that such check is impossible. The words "to be selected by consultation between Posts and Telegraphs Department and the State" may be added after the words "a two weeks' count in the year." If the losses of postal working are to be set off against the profits of the Telegraph working then the entire credit balance resulting, if any, should be treated as the due of the State. The calculation of income and expenditure should be based upon the traffic to and from the State and the responsibility and the rights to profits should be shared equally.

It is also requested that the question of repealing Notification of Government of 1885 relating to the responsibility of the States in the matter of the plunder of Imperial Mails may be favourably considered and it may kindly be cancelled. The reply is without prejudice to any further points that may arise hereafter.

BHADARWA.

It is respectfully submitted that the States have to be greatly indebted to the Government for introduction of the better management of the postal department. However, if the States may be granted some share of profit accruing from the services of the post, of course the States must undertake the risk of tasting bitter fruits of loss. It is a well known quotable maxim that one cannot approbate and reprobate.

SONPUR.

At the introduction of Post and Telegraph Offices the department of Post and Telegraph invariably demands money to be paid for some years by the State till the offices attain stability from increased income. In case of opening telegraph lines a portion of the cost of setting up the line is also demanded from the State by the department. It is therefore quite just and equitable that when the offices of Posts and Telegraphs reach beyond the experimental stage, a portion of the income should be allotted to the State. Moreover, for the safe transmission of mails during all hours of day and night and for the proper

preservation of telegraph posts and wires special police arrangements involving some expenditure have to be made by the State. The State should therefore be allowed to appropriate a portion of the income. To participate in profits involves participation in proportionate losses and the State cannot shirk that responsibility. Roads, etc., are maintained for the general good of the State and, as such, the cost on that account cannot be taken into consideration.

PIPLODA.

As at present situated posts and telegraphs are worked by the Departments of the Imperial Government and the profits or losses are not shared by the States. As the people and the States contribute to the income of the Departments in question equity demands that the States should share the profits as well as the losses. The States' claim to profits is therefore tenable. If the States are held responsible for the losses they would claim interference in the management which the Government would not be prepared to allow for more than one reason and to prevent future unpleasantness and trouble. The Department, if run with the characteristic care and forethought of Government, losses would never occur, and if such a thing happens, in view of the States' non-interference in the management, the claim might be foregone by Government. The share of the profits may be allotted on the basis of population. It will remove for ever the untold trouble which the collection of facts and figures would cause. Another question which is connected with Posts and Telegraphs is that the employees of the Department treat the State authorities with disrespect on the notion that they are entirely independent. Something really effective is necessary to disabuse the officials of such ideas, and in cases of offences whether under the Postal or Telegraph Acts, the sole jurisdiction should rest with the State authorities in whose limits the cases arise.

DUJANA.

Post Offices at Dujana proper and Nahar and Bahu, in the Nahar Tahsil, were opened in 1916. The late Nawab asked for some concession in the way of getting service stamps of any amount, but it was not granted (*vide* Commissioner's letter No. 32 dated 14th January, 1916). It was also not laid down that the State shall have to pay the deficit, if there is any, in the income from these post offices.

Telegraph Office was established at Dujana proper on 2nd August, 1926, on the condition that the State shall have to pay if there is any deficit in income against expenditure (*vide* correspondence ending with Endorsement No. 3126 dated 4th July, 1927). But the State up to this time has not been called upon to pay anything, which means that the Telegraph Office here is not running at a loss.

Under the circumstances it is quite fair for the State to expect a share of the profits accruing to the Government for the Post and Telegraph Office, as they are bound to pay the loss, if any, on account of the establishment of Telegraph Office at Dujana.

SECTION VII

DISCUSSION OF MATTERS OF JOINT INTEREST TO BRITISH INDIA AND THE STATES

preservation of telegraph posts and wires special police arrangements involving some expenditure have to be made by the State. The State should therefore be allowed to appropriate a portion of the income. To participate in profits involves participation in proportionate losses and the State cannot shirk that responsibility. Roads, etc., are maintained for the general good of the State and, as such, the cost on that account cannot be taken into consideration.

PIPLODA.

As at present situated posts and telegraphs are worked by the Departments of the Imperial Government and the profits or losses are not shared by the States. As the people and the States contribute to the income of the Departments in question equity demands that the States should share the profits as well as the losses. The States' claim to profits is therefore tenable. If the States are held responsible for the losses they would claim interference in the management which the Government would not be prepared to allow for more than one reason and to prevent future unpleasantness and trouble. The Department, if run with the characteristic care and forethought of Government, losses would never occur, and if such a thing happens, in view of the States' non-interference in the management, the claim might be foregone by Government. The share of the profits may be allotted on the basis of population. It will remove for ever the untold trouble which the collection of facts and figures would cause. Another question which is connected with Posts and Telegraphs is that the employees of the Department treat the State authorities with disrespect on the notion that they are entirely independent. Something really effective is necessary to disabuse the officials of such ideas, and in cases of offences whether under the Postal or Telegraph Acts, the sole jurisdiction should rest with the State authorities in whose limits the cases arise.

DUJANA.

Post Offices at Dujana proper and Nahar and Bahu, in the Nahar Tahsil, were opened in 1916. The late Nawab asked for some concession in the way of getting service stamps of any amount, but it was not granted (*vide* Commissioner's letter No. 32 dated 14th January, 1916). It was also not laid down that the State shall have to pay the deficit, if there is any, in the income from these post offices.

Telegraph Office was established at Dujana proper on 2nd August, 1926, on the condition that the State shall have to pay if there is any deficit in income against expenditure (*vide* correspondence ending with Endorsement No. 3126 dated 4th July, 1927). But the State up to this time has not been called upon to pay anything, which means that the Telegraph Office here is not running at a loss.

Under the circumstances it is quite fair for the State to expect a share of the profits accruing to the Government for the Post and Telegraph Office, as they are bound to pay the loss, if any, on account of the establishment of Telegraph Office at Dujana.

SECTION VII

DISCUSSION OF MATTERS OF JOINT INTEREST TO BRITISH INDIA AND THE STATES

DISCUSSION OF MATTERS OF JOINT
INTEREST TO BRITISH INDIA AND THE
STATES.

Summary of Replies Received

To Paragraph 11 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE
1928.

*Extract from the Questionnaire issued by the Indian States
Committee.*

**DISCUSSION OF MATTERS OF JOINT INTEREST TO BRITISH
INDIA AND THE STATES.**

11. What procedure would the States desire for the joint discussion of questions in which the interests of the States and the interests of British India may not be identical? Recently special Sub-Committees of Dewans have been appointed by the Standing Committee of the Chamber of Princes to confer with officers of the Government of India. Has this procedure been found to be satisfactory? If not, what procedure is suggested?

BARODA.

In matters of common concern to the country as a whole, such as defence, tariffs, exchange, &c., there should be a suitable machinery for consultation. This machinery might take the form of a board of representatives of important States. In no case should a State be required to undertake obligations which are at variance with its treaties and engagements. The policies agreed upon should be adopted by the States by their own acts of legislation.

MYSORE.

The State is not very clear as to the classes of cases that are contemplated in this question.

Cases of common interest to the whole of India are generally matters involving legislation. When they do so there is at present no provision for giving the States a voice in the decision of them, and the only way by which they can be given an effective voice is by representation on the Legislature. Where executive action only is required, it might be useful to appoint State representatives to co-operate with the British Indian executive body with which the decision of the question rests.

As regards cases of disputes, provision has been made for the establishment of courts of arbitration under Resolution No. 427 R. in the Foreign and Political Department, dated the 29th October, 1920. The chief criticism that this resolution invites is that the request of a State for arbitration is liable to rejection by the Governor-General, by whom also the decision of the Court is liable to review. The State hope that these features of the present arrangements will disappear when they are replaced by a Supreme Court.

In the minor and more routine cases, the chief complaint the State have to make is that decisions are occasionally recorded without any reasons being given, sometimes in the terms that the Government of India decline to discuss the matter in issue. A change of procedure is indicated and will, it is hoped, coincide with the appointment of Members of Council to handle State affairs.

INDORE.

It is suggested that the present system, under which the relations between the British Government and the State are conducted, should be modified and improved.

It is contended that the democratisation of the Government of India will unfit it to act in political matters as a responsible agent of the British Crown. The best arrangement, under the circumstances, it is suggested, would be for His Excellency the Viceroy to deal with States and British India politically as His Majesty's representative, assisted, if necessary, by a Senior Member of His Majesty's Corps

Diplomatique, who may, under the Viceroy, act as Head of the Political Department, with the right of speech in the Executive Council on matters of joint concern. The Chamber of Princes may be replaced by a Chamber of the Representatives of Indian States, and its Standing Committee may act as Advisory Body to the Viceroy in the disposal of political questions affecting the States.

The political officers should not be in the pay of the future Government of India but be independent of it.

In this connection it may also be urged that the Foreign and Political Department should in future be designated as foreign in keeping with the policy outlined above, and also in keeping with the past history of that Department of the Government of India.

To prevent the Indian Legislature from passing laws against the States, a statutory enactment may be enacted. This will not be necessary if the position, as outlined above, is made clear.

To ensure an effective voice in measures affecting both Indian States and British India, it is necessary that a Representative Chamber of Indian States be created. This would, on the one hand, deal with questions concerning the Indian States solely and, on the other hand, in matters of common concern, would find equal or proportional representation in a body to be newly created and composed of representatives from the two Central Houses of the Indian Legislatures. In cases of division on questions vitally affecting the Indian States, a decision might be considered valid only if two-thirds of the members of the representatives of the Chamber of Indian States voted together, or, failing that, it received confirmation by the Viceroy.

It has been argued that, under the present constitution of the Government of India, States have a right of appeal against it to the Secretary of State. It is conceivable that under a more democratic form of Government or a position of Dominion Status, the authority of the Secretary of State may disappear entirely. If so, how can some kind of right of appeal of a similar nature against the order of a future Government be secured to the States. This question does not arise as the future Government of India will not be in a position to pass any order against an Indian State if our view is accepted; but two kinds of matters still remain to be dealt with:—

- (1) Right of appeal in matters of joint interest, and
- (2) Right of appeal in political questions.

As for the first it may be urged that a safeguarding provision should be included in the Government of India Act to be passed by Parliament, providing for the erection of machinery to adjudicate between the States (either individually or collectively) and the future Government of India. This will entail the execution of a covenant between the future Government of India and the States which must be ratified by Parliament, and further supplemented by suitable directions in the Instruments of Instructions to the Heads of the Central and Provincial Governments. Thus such covenants will be parts of the Indian Constitution and a permanent security to the States. The machinery may be as indicated above.

In political matters the State, in the event of our opinion expressed above not being accepted, should have a right of appeal to the British Crown, i.e., the British Cabinet or its Member who may exercise

control over the Viceroy or the Governor-General, if the Secretary of State for India disappears.

TRAVANCORE.

The Government of Travancore have no information as to the arrangements by which special Sub-Committees of Dewans have been appointed by the Standing Committee of the Chamber of Princes to confer with officers of the Government of India. Nor has the Dewan of Travancore been invited to participate in any such conferences. Consequently, Travancore is unable to speak from experience on the subject, but is prepared to examine any scheme for joint discussion that may be communicated to her. The Government of Travancore are, however, of opinion that it would be a great advantage to the State if the Dewan, or the head of a Department, duly instructed by the Government, could be allowed the opportunity of conferring informally with officers of the Government of India on administrative matters which require the Government of India's approval. Questions sometimes arise, as for example, the financial and economic aspects of a railway scheme, in which a State might feel the need for the expert advice of those who have wide and specialised experience.

COCHIN.

In various documents and speeches emanating from responsible authorities, it has been taken for granted that the future constitution of India must be on a federal basis. It has also been emphasised by certain States that the principal matter which will engage the attention of the future federal authorities will be federal finance and federal legislation. It is necessary, therefore, to understand exactly what is connoted by these expressions.

Federal relationship as between the provinces of British India and the Central Government involves and proceeds tacitly on the assumption of a more or less uniform devolution of powers to the provinces and a residual and compelling authority in the Central Government, both in the sphere of legislation and of taxation and loan policy. There are obvious difficulties in the way of the complete application of this idea to the relation between Indian States and the Government of India. These consist:—

- (1) in the varying sizes, importance and evolution of the several Indian States;
- (2) in the circumstance that the limits of interference in internal matters are and should be of the most rigidly circumscribed character. Federation, in the sense of each component Indian State being considered equal in voting power and otherwise to every other State, may be difficult and impracticable of achievement and, therefore, apart from certain well-known and important individual States, other States would have to resort to a system of grouping for the purpose of playing a part in any such federation; and

(3) in the drawing up of a very carefully devised list which will comprise those subjects alone in regard to which federal activity is possible. Such a list will exclude all matters which will affect or have a direct bearing on internal administration, subject only to the considerations which will be hereafter adverted to. A tentative list of subjects which may be classified as federal is appended herein below:—

- (a) Transport and communications (inter-State, inter-provincial and all-India).
- (b) Rights in water for irrigation or other purposes and inland navigation where more than one State or province are concerned.
- (c) Merchant shipping including coastal navigation.
- (d) Customs and tariffs including bounties.
- (e) Coinage and currency. The future Federal Reserve Bank which is inevitable.
- (f) Codification of commercial law.
- (g) Weights and measures.
- (h) Extradition.
- (i) Labour questions of a general character.
- (j) Public health and emigration questions having a more than local importance.

So much having been provided for, the next topic is the manner in which the federation should be brought into existence and in which it should work. The federated Government will have to be considered—

- (i) in its executive and
- (ii) in its legislative aspects.

With regard to (i), it would be necessary to preserve ultimate control in federal matters for the time being in the direct representative of the Sovereign, namely, the Viceroy and Governor-General. There are practical difficulties in the way of the exercise by the Viceroy exclusively of this jurisdiction, especially when it is contemplated to extend it to the extent and in the manner appearing hereinafter; and therefore the safest practicable means of lightening the burden on the Viceroy and of ensuring efficiency would seem to be to vest in one or two members of the Viceroy's Council the disposal of what may be described as federal matters, it being assumed that no steps will be taken by these members, excepting in routine cases, save with the direct and personal concurrence of the Viceroy. For this purpose, the present number of members of the Viceroy's Council may have to be increased. The members entrusted with this portfolio would be, to a large extent, the executive of the federal legislative body which is being envisaged, although it is obvious that they will not be responsible to that body in the sense in which the English Cabinet Minister is responsible to the House of Commons.

With regard to (ii), two alternatives are possible: (a) inclusion in one or other of the present legislative bodies of a certain number of representatives of the Indian States, and (b) the creation of a new legislative body wherein representatives of British India and of the Indian States would both sit. The former expedient is inconvenient and impracticable, because the internal administration of the Indian States would not form the subject of legislation or of resolutions by

this body, and therefore it will be argued with some force that the representatives of the Indian States ought not to play a dominant or even a prominent part in legislation solely appertaining to the affairs of British India. It will further be difficult to delimit or curtail the functions of different groups of the same legislative body so as to debar one group from dealing with subjects to be dealt with by another. There is another expedient which has now and then been discussed, namely, of having a body representative solely of Indian States forming a separate chamber of the legislature which will operate as to matters affecting Indian States. There are many objections with regard to this idea. One of them is that these representatives will not have placed before them in debate the difficulties and objections to a particular course of action which may appeal to the residents of British India, and the co-ordinate action will not take place which arises as the result of mutual compromise and give-and-take where a homogeneous legislative body functions as such. And, moreover, there is the danger of a body exclusively composed of the representatives of Indian States endeavouring gradually to assume control over the internal affairs of those Indian States and to arrogate to itself the position of a super-State legislature. On the whole, therefore, the most expedient course would seem to be to bring into existence a body containing representatives both of British India and of the Indian States either by modifying and enlarging the present Council of State or in some other manner which would function in matters involving all-India topics in which the Indian States are interested in common with British India, such as customs, excise, inter-State and provincial trade and questions of public health and defence. This body will, for some time at all events, be essentially advisory in character. This is suggested in order to overcome the natural reluctance not only of British Indian units of administration, but of the Indian States to be bound finally by decisions, the exact scope and effect of which at present cannot be gauged with sufficient accuracy. In other words, this body would, like the Assembly of the League of Nations, make recommendations to the various component States on which those States will model their conduct or procedure. Such a device will at once withdraw from this body the reproach of being a variety of super-State. Moreover, this procedure will obviate the decision at the outset of such difficult questions as the following:—1. whether the representatives should be regarded as delegates of the various governments or of the people and the various groups amongst the people; 2. whether the proceedings of the body should have legal validity *ex proprio vigore* or should be subject to confirmation by the States and administrative units concerned; 3. whether the voting strength should be proportionate to population or revenue.

The Viceroy and Members of the Executive Council who will be charged with this portfolio will be guided by the resolutions of this legislative authority in the same manner and to the same extent as the Governor-General was influenced by the Imperial Legislative Council under the Minto-Morley reforms. Although in essence the authority of the Governor-General in Council was plenary, yet there is no gainsaying that his policy was profoundly affected and even modified by the resolutions of the Legislative Council. This scheme, of

course, presupposes the continuance of separate bodies for legislation relating only to British India. The scheme above adumbrated will also enable the gradual building up of conventions relating to the adjustment of fiscal and financial matters between British India on the one hand and the States on the other. In this connection, it is necessary to examine the scheme of a Supreme Court which has been put forward in certain quarters. The term itself is somewhat of a misnomer. A Supreme Court involves (a) the existence of a specifically recognised code of laws which is binding on those who have recourse to it, (b) the compulsory submission by parties to the jurisdiction of certain tribunals, and (c) sanctions to enforce the decrees and orders of the tribunals. All these three elements are of necessity wanting in the present case. It will be remembered that under the Montagu-Chelmsford Report there was provision made in certain cases for the submission of disputes to arbitration, and it has been validly urged that the constitution on each occasion of an *ad hoc* tribunal for the settlement of disputes is inconvenient. It would, therefore, be useful to set up a permanent body of arbitrators or a Board of Conciliation which will give considered opinions on matters submitted for such opinion by the members of the federation above referred to. The federation may draw up a list of subjects which would normally be placed before this tribunal and are suitable for submission to arbitration or judicial settlement. An illustrative list has been above given from which a selection of justiciable matters will have to be made. It may be provided that such disputes should be brought before the tribunal in the first instance before orders are passed or directions given by the Paramount Power. The decisions or advice of the tribunal would result in the gradual evolution of a code relating to matters of an interstatel or federal character. The doctrines which are now held to be binding on various civilised nations, compendiously described as public international law, have been, in reality, built up in this manner. The characteristic feature of this tribunal will be that the Government of India and the Secretary of State will, in certain specified cases at least, decline to decide certain questions in controversy, before this tribunal has given its opinion or advice. In other words, just as the federal legislative body is an instrument for giving advice to the Paramount Power and to the Indian States on matters of common interest of a non-justiciable character, so the Board of Conciliation or the Board of Arbitrators will be a body which will give advice to the States and the Paramount Power on justiciable questions. This is, in reality, the procedure followed by the Hague Court of International Justice. The advantage of such a tribunal in the matter of interpreting the constitution and in such questions as the elucidation of the practice and mutual obligations relating to the just user and enjoyment of natural resources by neighbouring States, e.g., water rights and so forth, is illustrated by the utility of such bodies as the Inter-State Commissions of the United States. In this connection, it may be noted that the Permanent Court of International Justice has, of course, the jurisdiction to decide whether any matter is within the domestic jurisdiction of one of the parties to the controversy and therefore not within the normal jurisdiction of the tribunal. It will

be further noticed that that court is competent (1) to hear and determine any dispute which the parties thereto may submit, and (2) to give an advisory opinion in certain circumstances and classes of cases.

Another question to be considered is the extent to which taxation powers can be conferred or ought to inhere in these federal bodies. This is a very difficult topic as protective tariffs and customs duties always raise fierce theoretical controversies and their practical results are very grave. The only manner in which it appears possible to approach the problem would be to lay down that if a certain proportion of the Indian States representatives or of the British Indian representatives in the federal legislative body contemplated above be opposed to any fiscal policy or policy of taxation, this policy should not be carried out at least for a limited period. In effect this would be a suspensory or partial vetoing power such as the House of Lords is now exercising under the British constitution. This interval would give ample scope for further reflection on the part of the parties concerned and may lead to joint meetings and conferences and finally to a satisfactory modification of the proposals. Thus, the best solution would be to lay down that a fiscal law or fiscal policy which is objected to by a large majority, say three-fourths of either the British Indian group as such or the Indian States group, should not be brought into force for a specified period. This is a matter, however, which would require to be further examined and elucidated.

JODHPUR.

TRIPURA.

WANKANER.

The States have a constructive scheme to put forward which will be submitted at the appropriate time to the Indian States Committee after receiving general assent.

The system of Special Sub-Committee of Ministers of States and Government of India Officials has failed to make the hopes entertained of it.

BANSWARA.

I am suggesting to the Standing Committee of the Chamber of Princes that they may kindly include Banswara's case.

JAISALMIR.

The Empire of India consists of two parts, British India and States' India.

In order to preserve the diplomatic character of the relations of the latter portion with the Paramount Power, to safeguard its interests, to reduce to a minimum the possibilities of friction or of clash of interests with the former part, i.e., British India, and to provide machinery for composing such differences as might arise, now and then, between

the two parts, the Durbar propose the creation of the following bodies:—

(1) *Viceroy in Indian States Council.*

- (a) President: Viceroy.
- (b) Members: Three representatives of the States (either Princes or Ministers), two English members with no previous connection with India, and the head of the Political Department.

The functions of the Indian States Council will be:—

- (a) Safeguarding the interests of the States; and
- (b) Representing the States' side of India on the Union Council.

(2) *Union Council.*

The Union Council will consist of:—

- (a) Viceroy in Indian States Council; and
- (b) Governor-General in Council.

It will be presided over by the Viceroy, and its functions will be the consideration of, and action upon, subjects of common concern both to British India and States' India.

(3) *The Union Supreme Court.*

It will be staffed by:—

- (a) A Chief Justice; and
- (b) Two other Judges appointed for life.

It will not be a British Indian Court but a Court created by the Paramount Power and the Princes jointly. It will have no jurisdiction over the person of a Ruling Prince, and where the issue before it is, in its judgment, a matter of constitutional right, no plea of "Act of State" will be admissible. It will be, in a way, a Court of Arbitration, and its functions will consist generally of providing an impartial tribunal to which constitutional and other justiciable matters in dispute can be referred, subject to appeal to the Privy Council, and in particular deciding:—

- (a) Disputes between the Indian States' Council or a State or States on the one hand, and the Paramount Power on the other, as to respective rights and obligations under Treaties, Engagements and Sanads;
- (b) Justiciable disputes between States;
- (c) Whether any Statute of British India affecting a State, or any legislative act of a State affecting British India, is *ultra vires*, and therefore of no effect in regard to such State or British India, as the case may be;
- (d) Issues of law or fact underlying any political disputes.

These are, in brief, the outlines of the scheme which the Durbar suggest.

PARTABGARH.

The procedure of appointing Special Sub-Committee of certain Ministers of the States to confer with Government of India officials is not viewed with favour. No new procedure can be suggested until the result of the "Reform Scheme" is known.

RAMPUR.

Such questions should be settled by correspondence between the individual States and the Government of India. It is not necessary to establish any institution as a sort of Court of Appeal to which the States on the one hand and British Indian Government on the other might take their cases for decision.

BHAVNAGAR.

The present system of discussion with the Ministers is satisfactory, but the orders issued thereafter do not always correspond with the conclusions reached.

COOCH BEHAR.

The Regency Council have not sufficient experience to make any suggestions regarding procedure for joint discussion between British India and the States on questions in which interests may not be identical, and would be glad of the opportunity to study any proposals which may hereafter be made.

DHRANGADHRA.

The States have a constructive scheme to put forward which will be submitted at the appropriate time to the Indian States Committee by Sir Leslie Scott.

JHALAWAR.

His Highness is in agreement with the scheme which the Chamber of Princes propose to put forward on the subject of discussion of matters of joint interest to British India and the States.

JUNAGADH.

The Junagadh Durbar think that it is very premature to discuss procedure for joint discussion of questions in which the interests of the State and the interests of British India may not be identical.

In the first place there is not a representative organization in existence. To bring such an organization into existence, the necessary atmosphere and confidence and in general the identity of interest do not exist. The body of experience of joint discussion on important questions is not extensive enough to enable any concrete scheme to be put forward. Until an actual issue does arise and the princes as a

whole desire such an issue to be considered jointly between themselves, and their joint decision to be pressed collectively on the Paramount Power, it would be useless to anticipate and prepare in advance any scheme or organization or lay down the procedure for any action by such an organization. The only important case of which Junagadh is aware, which was handled by the Ministers Committee, is the guarantees which the States sought from Fiscal Commission against their interest being sacrificed in any tariff changes. The effort was an absolute failure, and the fact that during subsequent tariff changes there has been no consultation either with the Princes as a whole or with any individual Prince, renders futile any search for procedure for common action and for general discussion thereof.

BARWANI.

The States have a constructive scheme to put forward which will be submitted at the appropriate time to the Indian States Committee.

CAMBAY.

This question of general application the State would prefer to be considered in the light of the general representations that are going to be made by the more important States.

MORVI.

In this connection it is pertinent to invite the attention of the Committee to para. 311 of the Montague-Chelmsford report wherein it is said:—

“Our last proposal is intended to provide some means of deliberation between the Government of India and the Princes on matters of common interest to both, and so to ensure that as far as possible decisions affecting India as a whole shall be reached after the views of the Durbars have been taken into account. *In the past it certainly has occasionally happened that the States were vitally affected by decisions taken without reference to them; and yet no machinery for such collective consultation with them has hitherto existed. It seems to us that they have clear right to ask for it in the future.*” (The italics are ours.)

In 1919 His Imperial Majesty gave His assent to the establishment of a Chamber of Princes. In His Majesty's Proclamation, dated 8th February, 1921, it was announced:—

“My Viceroy will take its counsel freely in matters relating to the territories of the Indian States generally and in matters that affect those territories jointly with British India, or with the rest of My Empire.”

And His Excellency the Viceroy, in his speech requesting His Royal Highness the Duke of Connaught "to perform the act of inauguration" of the Chamber, said :—

"The main function of the Chamber is to discuss matters affecting the States generally or of common concern to the States and to British India or the Empire at large."

Regarding the constitution of the Chamber he was pleased to say :—

"The Chamber of Princes is an advisory and consultative body and has no executive powers. It represents a recognition of the right of the Princes to be consulted in framing the policy of Government relating to the States and to have a voice in the Councils of the Empire, but the Resolutions of the Chamber, though carried by a majority of votes, will be in the nature of advice and will not necessarily be acted on by the Viceroy who will be bound to take into consideration not only the merits of the particular Resolution, but also the views of the opposing minority as well as the opinions of those Princes who happen to be absent from the Chamber."

In the determination of questions affecting both British India and the Indian States, it is, thus, necessary that there should be joint consultation between the representatives of both the sides. The preferable course seems to be that such joint deliberation should be held between a committee appointed by the Members of the Indian Legislature on the one side, and a body of Ministers appointed by the Chamber of Princes, on the other.

But whatever machinery is framed for the joint deliberation of questions of common interest, the principle above enunciated of ascertaining the views of individual Princes should be adhered to.

In recent years, questions of common interest are discussed before the Chamber of Princes and are then generally referred to individual States by the Government of India. The Political Department makes a reference to every State with a view to sound its views and it is after ascertainment and consideration of the views of every State that the Government of India arrive at a decision. It is submitted that the same system and policy should continue and that such reference should be made in all cases of common interest. The Morvi Durbar would not forego their individual voice in such matters. They are not in favour of empowering any person or body to commit himself or itself to anything on behalf of the Morvi State without taking their previous consent.

Regarding the work of the special Sub-Committees of Diwans appointed by the Standing Committee of the Chamber, the Morvi Durbar are not in a position to give any opinion, as they have no knowledge of the discussions held in the Committee. The proceedings of the Sub-Committees or of the Standing Committee are not circulated among the members of the Chamber of Princes as in the case of those of the session of the Chamber itself.

PUDUKKOTTAI.

The Durbar understand that the Chamber of Princes is putting forward an elaborate scheme of the machinery that has to be set up for considering and deciding upon questions of common interest between the States and the British India. The Pudukkottai Durbar have not hitherto had any occasion to complain against the Government of India of having decided any question against her in consequence of the Viceroy or the Political Department having taken a partial or unfavourable view of their case, and they are therefore not in a position to offer any useful suggestion in the matter.

RADHANPUR,

The system of appointing special sub-Committee of Ministers of States for joint discussion with Government of India Officials on matters of joint interest to British India and the States seems to be quite satisfactory, but it is desirable that subsequent orders issued should be in strict accordance with the decision arrived at at the joint meetings.

SAMTHAR.

For discussion of matters of joint interest to British India and the Indian States it would be suitable to have a union council composed of Governor General in Council and the Viceroy in Indian States Council, formed on the same lines as the former, as suggested by the Standing Committee of the Princes, presided over by Viceroy in joint sessions.

BANSDA.

So far as the present work of such Sub-Committees is concerned, the working has been satisfactory. The important questions discussed cannot be said to be of first class importance so far as other questions of greater importance and utility that have still to be threshed out are concerned. It is suggested that the questions arising between the Indian States and British India should be finally settled by a separate body consisting of a number of representatives of States elected by the Princes, and an equal number of English members including the Political Secretary, excepting whom the English Members should have no previous connection with India, but who are recognised diplomats. This Council should be presided over by the Viceroy, and the decisions arrived at should be binding both on the States as well as British India. The details of the scheme may be worked out by general consent so that mutual interests may be properly safeguarded.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

The scheme of the special committee of Ministers and Diwans, in the opinion of this Durbar, has not succeeded in attaining the hopes entertained, and the scheme will be put forward before the Indian States Committee by the Standing Committee and its counsel.

RAJKOT.

Questions 11 and 12 on the list may both be answered in one.

The Chamber of Princes as a body has already within its powers to bring resolutions and deliberate matters that involve the destiny of both the Indian States and the British India—whether they be of political or fiscal consideration. Individual States manage their affairs by making treaties with divisions of British India or other States as they think proper. Financial manipulation is again a part of economics of each State and they can manage their own affairs. The Chamber's procedure in endowing the Standing Committee with an authority to appoint a committee to submit to them a report for their guidance and deliberation pertaining to matters of joint concern with the British India and the States in general, is the correct procedure taken by the Chamber: and I hope the report will be read and carried, if thought worthy of resolution in the chamber itself and sent for sanction to the Viceroy and his Political Department. In the constitution of the Chamber such a body as the Standing Committee does not exist. The Advisory body is there, but I have made proposals for making it more responsible to the Chamber, which you may please peruse. The Chamber under the circumstances could nominate a committee in the house and ask the Chancellor to see it working. Otherwise I have nothing to add.

SACHIN.

As to joint discussion of matters of joint interest to British India and the States, I am of opinion that such joint discussion should take place between Committees of some Ruling Princes or Dewans appointed by the Chamber of Princes and such officers of the Government of India as may be selected by H.E. The Viceroy.

SANGLI.

The Sangli State will send its reply later.

SAWANTWADI.

The Sawantwadi Durbar has no personal knowledge of how the system of special Sub-Committees of Ministers of States and Government of India officials has worked, but it is understood that this procedure does not properly meet the case. It is certainly desirable that some suitable machinery should be established for joint discussion of matters of common concern, including matters where the interests of the two sides are not identical. In this connection, the following procedure might possibly be found very useful.

A special Standing Committee of Ministers or representatives of States should be elected every year by the Chamber of Princes from out of a number of names selected by the Standing Committee of the Chamber for the purpose. To this Standing Committee of Ministers should be added the representatives of those big States which at present take no active part in the Chamber's work. This Standing Committee of Ministers should discuss with a similar Committee of the British Indian legislatures matters of common concern and frame policies. The Political Secretary to the Government of India would be an *ex officio* member of this joint Committee. The policies so framed could again be revised, if necessary, by a joint consultation between the Governor General's Executive Council and the Standing Committee of the Chamber of Princes, though this should not always be essential. These policies as they emerge in their final form (i) would be adopted by States by their own Acts or legislation, or (ii) would serve as a basis for agreements to be sought by the Government of India from individual States. But in no case should action repugnant to Treaties be insisted upon.

WADHWAN.

This question requires careful consideration and deep thought.

2. The present system of discussion between the Ministers of States and the Government of India officials has failed to bring about the results that were expected from it and it is, therefore, unsatisfactory.

3. In this connection, some of the States have got a constructive scheme prepared by Sir Leslie Scott, and it will be submitted at the proper time to the Indian States Committee.

This scheme has been circulated to all the States and fully discussed at various meetings of the Princes and their Ministers. There is much difference of opinion about the feasibility of the proposed scheme, and to me, personally, the scheme does not commend itself as it is. In my opinion, (a) a cumbrous machinery tending to diminish the independence and autonomy of Indian States and seriously affecting their diplomatic relations with the Government, and (b) also to entail a heavy burden of expenditure on small States.

I would rather propose that the Government of India may be requested to frame a scheme which may remove the defects in the present system and also ensure to the States the same independence and autonomy which have been enjoyed by them ever since the establishment of their States. Such a scheme may be circulated to all the States for their opinion and remarks, and after a careful sifting of them, it may, finally, be introduced.

AKALKOT.

At present the State has to remain content with the decisions of the Political Department in all matters connected with the State's political, economical and commercial relations. It is under contemplation of the several Princes to devise a new scheme for the purpose of safeguarding their interests, and the State has no objection to agree to any Scheme which will be devised by the all India Princes' Conference and approved by the Government of India.

BHOR.

The views of the State will be communicated on this question later on after the constructive scheme which will be put forward by the Standing Committee is published in a final form.

PHALTAN.

At the outset it may be frankly admitted that this Durbar has had little opportunity to watch the working of the Dewan's special Sub-Committees. But from what is known of their working, they do not seem to be fulfilling the expectations entertained of them.

The scheme drawn up by the Standing Committee of the Chamber of Princes, with the help and advice of the Right Honourable Sir Leslie Scott, K.C., M.P., is without doubt a great improvement upon the existing state of things. But it will have to undergo considerable alterations and innovations before becoming fit to achieve the end for which it is intended. It has been promised that the consent of the Durbars will be asked before the scheme is ready for presentation in its final form to the Butler Committee. Therefore there is no objection on the part of the Phaltan Durbar to give a qualified approval to the scheme at the present state, the qualification being the opening up of the doors of the Chamber of Princes to all internally sovereign Princes like the Ruler of this State.

As regards the *Indian States' Council* intended to be brought into being for conducting the every-day relations between the Paramount Power and the States, the first difficulty is as regards whether the Viceroy would find time to preside over it, in addition to his onerous

duties concerning British India. The second objection is as regards the field for the selection by the Viceroy of the 3 members from a panel drawn up by the Chamber, consisting of Princes, Ministers or other well-qualified persons. The inclusion of other well-qualified persons makes the field too extensive and is therefore not desirable. Ministers too, however expert, must be excluded, as it is desirable to limit the field only to members of the Chamber. There is an object in this limitation. For then alone will it be possible to give effect to the suggestion of this Durbar that the 3 members should (after a certain period) be elected by the Chamber instead of being selected by the Viceroy. There can indeed be no question about the wisdom of the Viceroy's choice, but the principle of election will be more in consonance with the spirit dominating the grant of reforms—the Viceroy, of course, retaining the right to disapprove of any particular election.

The fourth objection is as regards the inclusion of the Political Secretary in this Council. It is believed that it is nowhere the practice to include secretaries in Executive Councils. He may, if thought desirable, have the right to be present at and witness the proceedings of this Council.

There is a suggestion as regards the expenses of running this Council. As the relations in this respect are mutual, the expenses, it is submitted, should be borne half and half by the Paramount Power and the States.

As regards the *Union Council* for dealing with matters of common concern both to the States and British India, the chief objection is that it will be a very unwieldy body for executive work. It will be shown below that this Council can be altogether dispensed with.

As regards the *Union Supreme Court* for dealing with matters susceptible of judicial decision, there is no mention in the first place in the scheme as to who will have the power to appoint the judges of this tribunal. It is believed that this power will be vested in H.M. the King Emperor who will exercise it as per recommendations of the Indian States' Council, as that will be the most desirable course. There should also be no restriction that the judges must be from Great Britain. There will be no harm in the opinion of this Durbar, if experienced High Court Judges from India are called upon to preside over this Court. This Court being of use both to the States and the British Government, here also it seems proper that the cost of maintaining it should be borne half and half by each.

It is suggested above that the Union Council may be altogether dispensed with. It is proposed now to show how it can be done and what alternative machinery can be substituted in its place. The principal function of this Council, as outlined in the scheme, is to decide matters which are common both to British India and the States. This purpose, it is hoped, can be better served if representatives of States were given seats in both the Houses of the Central Legislature. It is certain that these State Representatives will be in a minority and there is likelihood of the swamping of their votes by the majority. But some such provision that whenever all the minority votes are cast on one side regarding a proposition, that proposition should not be passed, will remove the fear. It is true that the taking of decisions concerning common matters by the Governor General's Executive Council cannot be remedied by this suggestion. But it is proposed that the

Governor General should have in his Executive Council a member or two from the States (according to the proportion of State Representatives in the Legislative Assembly). Another safeguard against adverse decisions of the Governor General's Council can be provided by including among the functions of the Union Supreme Court, the decision of whether any resolution of the Governor General's Executive Council is *ultra vires* and therefore of no effect in regard to any State or not. Further, the inclusion of representatives from States in both the Houses of the Central Legislature, will do away, in practice, the necessity of exercising by the Union Supreme Court of its function described in Clause (c) of para. 7 of Document No. 4 of Sir Leslie Scott's Scheme.

This Durbar fully agrees to the suggestions for the enlargement of the powers of the Chamber of Princes outlined in para. 8 of Document 4 of the Scheme. The only point which this Durbar once more wishes to press for consideration by the Committee is that the right of membership to the Chamber in one's own right must be put on the only fair and indisputable basis, viz., that of internal sovereignty. Unless that is done no scheme, however clever, is likely to receive the support of a most important class and achieve the end that is in view.

MIRAJ (Senior).

This is the most important subject before the Committee, and I am thankful to it for having raised the question. It requires the fullest consideration from both sides. It is the most central question of all. Questions of joint interests must produce a unity of interests for both. The inner character and motive force for it shall be the same. Good for both, without the one harming the other, is the essence of it. Both British India and the States jointly and severally are parts and units of the same body of the great Commonwealth of the British Empire. Each part must therefore possess the common feature of the unity of interests for all. One must nourish the other. The larger should protect the smaller and watch its interests as if they were its own. This principle connotes the essential need of absolute co-operation in all sincerity for preservation and development of all just and proper interests of all. The essential feature of it is that no part or unit of the Empire will allow any true interests of any other part to suffer on any account. If these vital principles are recognised and appreciated both in their spirit as well as in thought, word and action, all difficulties must automatically disappear. This requires a perfect manliness. The position must be accepted and all good men, actuated with ideals of the greatest good of the whole Commonwealth, will doubtless accept the position. All other matters are subordinate to this, and would be matters of detail, and can be welded to serve a common cause without harm to any part, with a view to attain and preserve a really good Government both in British India as well as in the Indian States. All fairness, all justice, all equity, a thoroughly good conscience, necessarily come in to be pressed into service, and if these principles are maintained as the hinge on which the entire fabric of the whole constitution shall turn, all matters dealt with in

the questionnaire become extremely easy for solution. Love begets love. Respect comes where respect is given.

Thus many matters happen to be of joint interests perforce to both and would be easy to solve in mutual co-operation; and as above stated all matters dealt with in the questionnaire become matters of joint interests, including all questions, either financial or economic, that affect both.

Your Committee refers to the procedure of discussing questions in which the interests of the State and of British India are not identical. I do not know why any interests should exist which are not of identical interest for both, having regard to the principles enumerated above. Special interests of each cannot come in for a joint discussion. Opinions may differ on one and the same subject. That should not change the identity of interests. At the same time in matters like these we have to make allowance for variations in the human nature, not only individual, but even of a body of individuals, where a sense of proportion, of reason and fairness, is sometimes left out of account, and selfishness of interests plays an important part. Matters which have passed through such stages may be classed as being not of identical interests. It is not a question of private individuals. The high status of a governing body or a Prince ruling a State would perforce be sensible of the requirements of their position. Probably, more often than not, this sense is not all powerful.

In such cases it is necessary to lay down a procedure for discussing such matters, and I have lately received papers from the Chancellor of the Chamber of Princes showing that a scheme is under their consideration. It is a draft scheme which I fear would be considerably modified by the opinions of Princes already called for. When the new Government of India is formed, in all probability it will have no Viceroy; there will be a Governor-General only; and the Viceroy will administer business in connection with the Indian States. He will have his own Executive Council of the Imperial Political Department, in which perhaps a few Princes might figure as Members without portfolio, and the rest will be, whatever the number, Officers of the Government. That Council will in all probability be independent of the Chamber of Princes and its Standing Committee. The Council will be a British Council and cannot be a Council of the States or for the States. The Viceroy in Council will hold the balance between the opposite interests when they come in dispute as between British India and the States.

That Executive Council of the Viceroy will be the channel of discussion for the States in matters where the interests of one are not identical with the other. Any State which has such matter for settlement might, if necessary, take the advice and help of the Chamber of Princes through its Standing Committee, whose advice the State may accept or not for its own special reasons, and might place the question then direct before the Viceroy's Executive Council for settlement.

MIRAJ (Junior).

As the other States have a constructive scheme to put forward, which will be submitted at the appropriate time to the Indian States Committee after receiving general assent, this State has nothing more to say on the point just at present.

JAMKHANDI.**RAMDURG.**

We propose that a Senatorial Institution may be established, composed of the Representatives of the States and of British India in proportion to their population, and they should discuss and determine all questions of joint concern. There should be a provision in the constitution of this Body to avoid the swamping of minority votes. The representatives of the States would certainly be in a minority. If, however, a provision is made that in case all minority votes are cast on one side as regards any proposition it should not be passed, it would check any tendency to over-ride the wishes of this minority. Any other safeguard of this nature would also be welcome. The suggestion about this is contained in paragraph 311 of Montford Report. We, however, urge that the Senatorial Institutions should be composed not merely of Indian Princes but of the representatives of the States. They may be Princes or qualified Ministers. Those who represent British India should be representatives of both the Chambers of the Central Indian Legislature. We do not approve that they should be members only either of a Council of State or of Privy Council as mentioned in the Report.

SAVANUR.

My humble opinion is that the best procedure would be for Indian Chiefs to represent these matters themselves to their political secretaries and leave it entirely to the discretion of His Excellency. I am not fully aware what the Sub-Committee of Diwans has done, but personally I would like to represent myself matters connected with my State rather than leave it to the Sub-Committee of Diwans.

KURUNDWAD (Senior).

I propose that a Senatorial Institution may be established, composed of the Representatives of the States and of British India in proportion to their population, and they should discuss and determine all questions of joint concern. There should be a provision in the constitution of this body to avoid the swamping of minority votes. The representatives of the States would certainly be in a minority. If, however, a provision is made that in case all minority votes are cast on one side as regards any proposition it should not be passed, it would check any tendency to over-ride the wishes of this minority. Any other

safeguard of this nature would also be welcome. The suggestion about this is contained in paragraph 311 of Montford Report. I, however, urge that the Senatorial Institutions should be composed not merely of Indian Princes but of the representatives of the States. They may be Princes or qualified Ministers. Those who represent British India should be representatives of both the Chambers of the Central Indian Legislature. I do not approve that they should be members only either of a Council of State or of Privy Council as mentioned in the Report.

MULI.

The States have a constructive scheme to put forward which will be submitted at the appropriate time to the Indian States Committee by Sir Leslie Scott. The system of special sub-committee of Ministers of States and Government of India officials has failed to realise the hopes entertained of it.

VADIA.

VIRPUR.

LAKHTAR.

The State has nothing more to say on this subject, except that the present system of discussion with the Ministers of the States is, on the whole, satisfactory, though it has failed to realise fully the hopes entertained of it, but it maintains that the result in the form of orders is not. In so far as this State is aware, the States have a constructive scheme to put forward which will be submitted at the appropriate time to the Committee after receiving general assent. This State, therefore, reserves its right to make what suggestions it deems fit in this matter after looking into such scheme.

KOTDA SANGANI.

As to Item XI, I cannot bring myself to agree to the elaborate scheme formulated by Sir Leslie Scott; in my opinion that is tantamount to breaking off the diplomatic relations of the States with British Government; I am therefore inclined to a continuance of the present arrangements. I would, however, abide by the opinions of a majority of the Kathiawar Chiefs on this subject.

SAYLA.

THANADEOLI.

Conduct of Political Relations.

I feel that this question requires very thoughtful consideration and a far-sighted view. In dealing with a matter like this I have to see that I do not become a consenting party to any action or measure which might make my position worse than what it may be now, and create the undesirable situation of British India versus the Indian States, and engender fresh endless troubles and complications.

2. Whatever constitution British India eventually gets, it wants peace and harmony. The Indian States also are for it. They need not fight with each other. It is not in the interest of either to do so. Each aspires to progress in a right direction, and if each of them minds its own affairs and confines its activities to its legitimate sphere, serious conflict need not be apprehended. The States have stood revolutions in the past and maintained their independence for ages. Such was their position at the advent of the British Rule. The Government have recognised it and guaranteed their independence and integrity. The States are not prepared to give up this position. British India, with a democratic Government, can have no right to aim at their deprivation. The States have not the ambition or aspiration to interfere in the affairs of British India. This must be reciprocal.

3. If the administration of any of the States is not found satisfactory, there is the Governor-General in Council who has been conducting relations with the Indian States from the advent of the British Rule, to give advice to the Chiefs concerned and to interfere if the circumstances demand it. None but the Governor-General in Council has a right to make such an interference. The ruling Princes and Chiefs, like all Governments, owe a duty to their people. No Government and no system, if viewed from different stand-points, can claim to be ideal. Even the British Government, with all the resources of ablest men and thoroughly equipped departments, cannot advance such a claim. No Indian Ruler has advanced such a claim, and none can. All Governments and systems have their lapses. It is the duty of the Ruler to remove them.

4. The present system of discussion between the Ministers of States and the Government of India officials has failed to bring about the results that were expected from it and it is, therefore, said to be unsatisfactory.

5. In this connection, some of the States have got a constructive scheme prepared by Sir Leslie Scott and it will be submitted at the proper time to the Indian States Committee. This scheme has been circulated to all the States and fully discussed at various meetings of the Princes and their Ministers. There is much difference of opinion about the feasibility of the proposed scheme and to me personally the scheme does not commend itself.

6. As to the proposed scheme, I am thankful to the Chancellor and six Ruling Chiefs for having conveyed to me an assurance that even His Excellency the Viceroy will welcome a free and frank expression of opinion from the Chiefs. I feel that of all the matters before me this is a question which demands it. I have a high regard for the opinion of the enlightened Rulers who take a leading part in the work of the Chamber, but when momentous issues are involved and the interests at stake are large, I feel bound to express my own independent views, especially as every individual Chief has a voice in the matter; and as a new system cannot be substituted without the consent of all the Chiefs concerned.

7. The scheme in contemplation is to create a separate executive States Council, the same representative of the Crown working in the dual capacity of the Governor-General for the Executive Council for British India and of the Viceroy for the States Council; the States

Council to consist of two English members with diplomatic experience, and the Political Secretary and three members to be selected by the Viceroy from a panel drawn up by the Chamber of Princes; they may be Princes or Ministers; the Political Department to be under the control of the Viceroy in the States Council—the Viceroy to exercise a power of arbitration in certain events; matters of common interest to the States and the British India to be discussed between the two Councils in a Union Council presided over by the Viceroy and the Governor-General; the Chamber to be given extended consultative powers, it having a free initiative, and the creation of a Supreme Court to deal with certain matters.

8. To this scheme I am strongly opposed on several grounds.

I think that the creation of a separate executive Council will create an awkward position both for the Indian States and the highest representative of the Crown; and I have also reasons to apprehend that it will result in fresh troubles and complications. It may also be a fruitful source of constant unpleasantness between British India on the one hand and Indian States on the other. Again we do not know what constitutional changes the Simon Commission will recommend, and the British Parliament will eventually sanction, for British India. The duties of the Viceroy and those of the Governor-General will often be conflicting. As the Governor-General, his views may have been formed in connection with matters of British India. The same Officer will have to deal with matters of Indian States. His views may be quite honest, but on certain occasions he will be made the target of attacks by British India and the Indian States. The States Council will have no effective voice as the Viceroy is to exercise the power of arbitration. If some of the members of the States Council are the Princes or the Chiefs or Ministers, they will hardly be able to devote that time, care and attention which the work of such a Council demands. Looking to the dictates of human nature as it is, and in view of the interests of their State at stake, it is most likely that they may hesitate to differ from the views of their European colleagues in spite of their own conviction, and be found unable to dislodge them from their views. Further, I am of the opinion that it is not in the interests of the States to give extended consultative powers with an initiative to the Chamber. If the scheme proposed were not open to grave objections from the standpoint of the States, it would not have been found necessary to suggest many safeguards and limitations. This by itself warrants a strong presumption that the States would be running a great risk in accepting it. Even if the scheme is put into operation with such limitations and safeguards, it is certain that in process of time, those limitations and safeguards will disappear. The existing system has given rise to some grievances of the Indian States during the last 108 years, but the internal autonomy of the States is not destroyed, while the proposed scheme, if put into operation, must inevitably spell the end of autonomy which the States cherish most and Government are anxious to preserve.

9. We are not told up to now as to who will bear the enormous cost which the scheme must necessarily entail. The States Council and the Supreme Court will require an adequate and efficient staff. Separate offices and residential quarters may be required. Naturally the initial and the annual cost will be very heavy. Even if His Excellency the Viceroy and Governor-General in Council be of opinion that British

India should bear the whole cost there is no guarantee that the Central Legislative Council would sanction it. They can rightly urge that the States have created these institutions and they should therefore bear the whole cost. The premier States having a large revenue may not mind this, but the States with limited revenues cannot afford to bear such a heavy burden without sacrificing the best interests of their administration and their people.

Discussion of Matters of Joint Interest in British India and the States.

10. This item is closely connected with the proposed scheme of conducting political relations. It is therefore discussed here.

11. Such matters are being discussed with the individual States by the existing machinery of the Government of India. The Political Department makes a reference to the individual States with a view to sounding their views and if the individual States are agreeable, the policy, measure, or action suggested by the Government of India is adopted by the State. The same system must continue. I am not prepared to forego my individual voice in such matters. I am not for empowering any persons or a body to commit themselves to anything on behalf of my State.

12. If the position which has been in existence for years, and which the British Government have always been anxious to recognise and preserve, is changed, the States lose their autonomy. British India and the States have lived in peace and harmony under the existing system for generations and if both the parties work in a spirit of conciliation and co-operation, I do not apprehend troubles or complications even if British India gets democratic Government.

13. To make my position clear, I will give some concrete instances. There are numerous acts of the Government of India and those of Provincial Governments in force in British India. They are in force because the Government think that the interests of British India demand them. The Insolvency Act is one of them. It is not in force in most of the Kathiawar States. Government made a reference on these matters to the Agent to the Governor. He discussed this with the Dewans and Karbharies of the States. They explained their position. The matter has to be dropped. Now let us suppose that we have the proposed scheme. The Executive Council of British India may propose to our Executive Council with the approval of the Governor-General that all the Jurisdictional States should adopt this Act as thousands of people of Indian States are residing and trading in British India. This is discussed in our Council. The two Englishmen and the Secretary endorse the views of the Council of British India. The Governor-General is in favour of the proposal. Even if the three other members do not agree, some decision has to be reached in the Union Council. It is easy to say what decision would be reached. Even if all the members of our Council are opposed to the proposal, the Viceroy and the Governor-General in Council has the power of arbitration. His views as the Governor-General are formed. The result is that it is decided that the States should adopt the Insolvency Act. Can such a decision be defied or ignored? It may be asserted that in such matters the decision, even if reached in the Union Council, will not be held binding to the individual States without taking their consent. I do not attach any importance to such an assertion. The Executive Council

ceases to be the Council, the Viceroy ceases to be the Viceroy, and the Governor-General ceases to be the Governor-General if they have to give advice only. No Englishman, no Indian, no Viceroy, no Governor-General with a sense of self-respect will ever submit to such a position. The case of the Insolvency Act is given as an illustration.

14. I have stated in my notes on the existing system and the system proposed that the creation of the situation of British India v. the Indian States would lead to endless fresh troubles and complications. In such matters there can be no agreement between British India on the one hand and the Indian States on the other. Whenever any questions affecting individual States arise they can be discussed and settled with the States concerned. Surely British India, if it wants peace, should not aspire to thrust a policy, measure or action, which may be conducive to its interest but prejudicial to that of the States, on the whole body of the States. This it cannot do. If British India maintains that the policy of charging import, export and octroi duties must be uniform in the whole of India, the Ruling Prince of Gondal may as well say that if uniformity is the aim, no such duties should be charged in the whole of British India by the Government or the Municipalities, as no such duties exist in his State. The best course is to avoid such interference in the affairs of each other. Besides, it is difficult to see how the Indian States hamper economic development in British India. If such assertions are made, the Indian States are in a position to maintain that the policy of British India on octroi matters is a handicap to the development of economic resources in their States.

15. Thus in my opinion the proposed scheme (a) is a cumbrous and complicated machinery tending to diminish the independence and autonomy of Indian States, which the Government have been anxious to preserve and which the States have cherished most; (b) seriously affects their diplomatic relations with the Government; (c) takes away my individual voice in such matters. I am not for empowering any person or body of persons to commit themselves to anything on behalf of my State, and (d) entails a very heavy burden of expenditure, initial and annual, on the States with limited revenues.

16. These are briefly some of my objections. It is needless to labour this point at this stage. If the Committee think that there is force in what I submit, I feel sure that they will not recommend the scheme proposed by the Rt. Hon. Sir Leslie Scott.

17. The Standing Committee of the Chamber of Princes have expressed their view in the Preliminary Memorandum that "It is sound policy to avoid unnecessary alterations, to utilize all that is good in the existing system and to make only such change as is necessary to effect a real cure."

18. Therefore, I would rather propose that the Government of India may be requested to frame a scheme which may remove the defects in the present system and also ensure to the States the same independence and autonomy which have been enjoyed by them ever since the establishment of their States. Such a scheme may be circulated to all the States for their opinion and remarks, and after a careful sifting of them it may finally be introduced.

MALIA.

As to this I cannot bring myself to agree to the elaborate scheme proposed. In my opinion it is not elastic enough to admit of co-operation by all States; and the proposed scheme tends to break off our diplomatic relations with British Government. I am therefore inclined to a continuance of the present arrangements. I would however abide by the opinions of a majority of the Kathiawar Chiefs on the subject.

THARAD.

The States have a constructive scheme to put forward which will be submitted at the appropriate time to the Indian States Committee, after receiving the general assent. The special Sub-Committee of Dewans of States, appointed by the Standing Committee of the Chamber of Princes for conferring with the officers of the Government of India, has failed to realise the desired object.

SONPUR.

The recommendation of the Chamber of Princes, through its legal adviser, regarding the establishment of permanent Courts is not supported by the Sonpur State. When special occasions arise, two barrister Judges of the High Court and a man of high situation named by the Ruler concerned may temporarily constitute a Court or a Bench to decide important matters relating to the Rulers. The proposed costly arrangement recommended by the Chamber of Princes is undesirable for many reasons.

PIPLODA.

The appointment of Sub-Committee of Dewans for the joint discussion of questions with officers of the Government of India may serve the purpose in view, but each Chief must be kept informed of the result of such discussions, whether the matters relate to him or not, in order to keep him in touch with the affairs of joint interest so that he may be able to take part in the general discussions and may be able to give opinions when necessary.

DUJANA.

Have nothing to say, except that the representatives of both parties should stand on equal positions to discuss the matters quite freely.

MADRAS GOVERNMENT.

Under the above category come irrigation disputes between the Madras Government and the adjoining Indian States.

2. In a country like India it is the recognised duty of the paramount power to take steps to ensure that the water available can be and is utilised, whether for irrigation or for power for the best benefit of the people at large. Failure to give facilities for the utilisation of these benefits of nature involves depriving the country of hundreds of thousands of tons of food grains and also involves denuding it of tree growth to provide fuel where the use of such fuel would be unnecessary and uneconomical if water power were utilised. The necessity is recognised in the United States for an inter-State law and in the countries which border the Danube by the appointment of an inter-State Commission. It has been recognised by the Government of India in the encouragement given to such schemes for increasing the output of food grains as those which are responsible for the Punjab Irrigation Colonies and the Sukkur barrage.

3. If such an inter-State law or inter-State Commission was necessary under the old conditions, it is likely to be very much more necessary under the conditions of the future Government of this country. Under the conditions that are passing away, the Government of India exercised complete control over the actions of local Governments in such matters as are in question, and, as the paramount power over the States, exercised a considerable measure of control over them also. Under the reforms, local Governments have been given a much more direct interest in their revenues and far larger powers of sanction of schemes, while the control over the Indian States tends to decline. In other words, there is a tendency on the part of every Province and State to become more and more independent of the controlling jurisdiction of the paramount power and to develop local patriotism and to stand out for local interests. As this tendency increases, it will become increasingly difficult for the Supreme Government to effect settlement of disputes by the exercise of its control, and the only alternative appears to be, as has been stated above, the enactment of an inter-State law or (what implies the existence of such a law) the appointment of an inter-State Commission.

4. The law of waters is as follows:—As between private parties, it seems to be settled law that riparian owners have equal rights to the usufruct of the waters of an adjacent stream, and no proprietor has the right to use the water to the prejudice of other proprietors above or below unless he has acquired a prior right to divert it.

A distinction has sometimes been drawn between what are termed primary rights in respect of a running stream or river, and extraordinary or secondary rights. And in this connection Lord Macnaghten, in delivering the opinion of the Judicial Committee (Law Reports, 10 A.C., page 336), has laid down the law as follows:—"In the exercise of rights extraordinary but permissible, the limit of which has never been actually defined and probably is incapable of accurate definition, a riparian owner is under a considerable restriction. The use must be reasonable, the purposes for which the water is taken must be connected with his tenement and he is bound to restore the water which he takes and uses for those purposes substantially undiminished in volume and unaltered in character." The above statement was cited in a case in which Sir Ashutosh Mukerji was one of the Judges (4 Cal., L.J., page 370), and an endeavour was made to show that, though the above doctrine might well be applied in a country like England, yet in countries with a hot and arid climate irrigation would be a primary use. The learned judge, after an exhaustive review of English, Indian and American law, adopted the view that, in the case of irrigation rights, a proprietor cannot under any circumstances divert and consume the flow of a stream for irrigation purposes to the exclusion of the lower proprietors whose right to the water is as good as his own. Again, in the case reported in 24 Calcutta, 865, it was held by the Privy Council that the legal right of lower riparian owners is to have the water of the stream transmitted to them continuously without interruption and without any substantial diminution in volume, subject only to the qualification that an upper proprietor may, for purposes which the Law regards as legitimate, draw from the stream which passes along his land so much of the water as will not materially affect its downward flow or impair its use by lower proprietors. A similar view is taken in the case reported in 3 Patna Law Journal, page 51, where it was laid down that, when there is not sufficient water for all to use freely, each riparian owner would be permitted only his proportionate share, determined by the number of such owners and the area for which the water is applied by each to an equally beneficial use. Similarly, in the case of manufacturing rights, which, under the English Law, are treated as analogous to irrigation rights, it was pointed out by the Privy Council in the case already quoted in 10 A.C., page 336, that the upper riparian proprietor has a right to use the water for any purpose provided he does not thereby interfere with the rights of other proprietors either above or below him. Subject to this condition, he may dam up a stream or divert the water for the purpose of irrigation, but he has no right to interrupt the regular flow of the stream if he thereby interferes with the lawful use of the water by other proprietors and inflicts upon them a sensible injury.

5. The above rulings relate only to the case of private rights and there is as yet no inter-State law in India. Where, however, one exists, as in America, the principles applicable are aptly illustrated by the following case that arose between the State of Kansas and the State of Colorado (reported in 185, U.S. Supreme Court Reports, page 125 *et seq.*, and in 206, U.S., page 46). In this case the dispute arose as to the river Arkansas, which rises in the Rocky Mountains

in the State of Colorado and flows through certain counties of that State, and thence across the line into the State of Kansas. Colorado constructed a great canal for diverting water from the Arkansas river and using it on arid and non-riparian lands, and it was alleged that such water would not return to or flow in the river. An injunction was prayed for, for restraining the State of Colorado from constructing, owning or operating any canal or ditch whereby the waters of the said river or any of its tributaries would be diverted from their natural course and from constructing, owning, operating or using any reservoir for the storage of the waters of the said river or of its tributaries, for purposes of irrigation. At first a plea demurrer was raised questioning the jurisdiction of the Court and asserting that Colorado was entitled as a sovereign and independent State and by virtue of her geographical situation and material welfare to consume for beneficial purposes all the waters within her boundaries. In the language of the pleadings the gravamen of the Bill was stated by the Chief Justice to be that the State of Colorado acting directly herself, as well as through private persons thereto licensed, was depriving and threatening to deprive the State of Kansas and its inhabitants of all the waters theretofore accustomed to flow in the Arkansas river through its channel on the surface and through a subterranean course across the State of Kansas; that this was threatened by the impounding and the use of the water not only at the river's source, but as it flowed after reaching the river. It was further insisted that Colorado in doing this was violating the fundamental principle that one must use his own so as not to destroy the legal rights of another. The demurrer was overruled and the case came on for final decision. In 20, U.S. Supreme Court Reports at page 46, the final judgment largely turns upon the extent of the powers of the Government of the Union and the question whether they were general powers or enumerated powers, but on the point under discussion the main principles of the judgment of the Supreme Court delivered by Justice Brewer are summarised in the following passages:—"We must consider the effect of what has been done upon the conditions in the respective States, and so adjust the dispute upon the basis of equality of rights as to secure, as far as possible, to Colorado the benefits of irrigation without depriving Kansas of the like beneficial effects of the flowing stream." The test to be applied for the purpose of finally determining the rights of one State against another was thus indicated in the final portions of the judgment: "The right of plaintiff must be recognised in such cases to institute proceedings whenever it shall appear that through a material increase in the depletion of the waters of the Arkansas by Colorado, its incorporations or citizens, the substantial interests of Kansas are being injured to the extent of destroying the equitable apportionment of benefits between the two States resulting from the flow of the river." These principles seem to have been present to the mind of the Right Honourable the Secretary of State when he arrived at his decision setting aside the award of the Arbitrator in the Cauvery dispute with Mysore (see Annexure).

6. An inter-State law on the lines above indicated will be ineffective without an agency invested with the power to determine what the rights

of the adjoined States are, to enquire and determine whether those rights have been infringed and to assess damages if necessary.

7. The disputes with the Mysore Durbar and the Hyderabad State described in the synopsis annexed, adequately demonstrate the necessity for an inter-State law and for an Agency to administer it.

ANNEXURE.

The principal Indian States whose interests clash with those of the British subjects in the presidency of Madras in irrigation matters are Mysore and Hyderabad. A map of India will show that Mysore is surrounded on three sides by the Madras Presidency. All the rivers that rise in or flow through the State supply vast areas in the British territory, the chief of them being the Tungabhadra with its affluents, the Tunga, the Bhadra and the Hagari, the northern Penner with its affluents the Chitravathi, the Jayamangali and the Papaghni, the Palar, the southern Penner and Cauvery with its tributaries, the Hemavathi, the Lakshmanathirtha, the Kabbini, the Suvarnavathi, the Shimsha and the Arkavathi. The Tungabhadra and the Kistna form the boundary line between the Madras Presidency and Hyderabad. Across the former a number of low dams called anicuts divert water for irrigation both in the Hyderabad State in the north and in the British territory in the south.

A.—Mysore.

1. *The Cauvery and its tributaries.*—Irrigation under this river to the extent of 1,100,000 acres has been going on in the Madras Presidency from time immemorial under works originally constructed by Indian Rajahs which have been improved from time to time by British engineers, though they may not be quite perfect from the point of view of securing the best possible duty from the water. Fears of injury to this irrigation have led to disputes for over a century, and these came to a head about the year 1890, when it was found necessary to protest against the construction of three large new reservoirs in Mysore territory which had been projected as a result of the work of engineers employed during the British administration of Mysore, whose plans had been approved by the Government of India without reference to the Government of Madras. A conference was held between Sir K. Seshadri Ayyar, representing Mysore, and Sir Henry Stokes, representing the Government of Madras with a view to arriving at an agreement. The conclusion was that there was no prospect of agreement in regard to any part of the subject, and both sides moved the Government of India to frame regulations determining the conditions under which extensions of irrigation works should be permitted in the territory of Mysore. The Government of India, however, were unwilling to undertake this responsibility and intimated that they would prefer that the matter should be settled by some understanding between Madras and Mysore. To understand the compromise that was ultimately patched

up, it is necessary to understand the claims of the parties. These were stated in a note prepared by Sir Henry Stokes of the discussions at the Conference of 1890. "The Diwan stated his position as follows:—Mysore has a natural right to the full use of all the water in its territory, but such natural right is limited by the rights to supply which have been acquired by prescription on behalf of works in Madras. In exercising its natural right, Mysore may do anything which does not injuriously affect the enjoyment of its acquired rights by Madras, or materially diminish the supply to Madras works. The Madras rights extend only to the supply which has been actually turned to account for irrigation. All the rivers flowing from Mysore into Madras pour an unused surplus into the sea. Mysore may intercept and take measures to utilise such surplus, and in view to its interest in it and to preventing the growth or enlargement of the Madras prescriptive rights may as well claim to be informed of and object to new works constructed in Madras for utilising the river flow, as Madras may, in regard to what is being done in Mysore. Mr. Stokes said that he was not concerned to dispute the description of nature and origin of the rights of Mysore and Madras given by the Diwan; but he demurred to the word "materially" as qualifying diminution of supply to Madras works, holding that no such diminution is permissible. He refused to admit that the Madras right to the flow in the rivers was limited to the amount actually turned to account for irrigation, and contended that Madras is entitled by prescription to the whole flow allowed to pass the frontier, at which point Mysore loses all right or interest in it. All considerations of this sort were, however, abstract, and it was impossible to base practical rules upon them, or to adjust rights with such nicety." In other words, Madras claimed the rights of a lower riparian proprietor as indicated in the statement of the law already referred to, while what Mysore asked for was an exact inversion of that law. Ignoring the fact that the river Cauvery as well as its tributary, the Kabbini, both rise in British territory and that the Cauvery runs in Mysore territory for less than quarter of its length, the Mysore Government claimed a natural right to the whole of the waters of the rivers within their territory and wished to impose on the British Government as a lower riparian proprietor the obligation of an upper riparian proprietor of acquiring rights by prescription. This being the position of the parties, an agreement was eventually arrived at of which the original draft ran as follows:—"The Madras Government shall be bound not to refuse such consent except for the protection of prescriptive right already acquired and actually existing, the existence, extent and nature of such right and the mode of exercising it so as to control or limit the natural right of the Mysore State being in every case determined in accordance with the law on the subject of prescriptive right to use of water and in accordance with what is fair and reasonable under all the circumstances of each individual case." On this draft being presented by Mysore, Madras objected to both the provisions as to natural right and prescriptive right, but in the negotiations that followed ceded the latter in exchange for the omission of the former. Unfortunately the agreement was not referred to a lawyer and it was not realised that the clause in question used technical expressions which are unmeaning in the context. This is illustrated in the following

extracts from the award of Sir Henry Griffin on the only occasion when an attempt has been made to interpret the agreement:—

“It thus appears that, (assuming of course, ordinary municipal law to be applicable), before the agreement, Madras would have had a natural right to the flow of the Cauvery without interruption and without material alterations in quantity, while the right of Mysore, except as regards rights already acquired in matters of irrigation, was hedged in with the proviso that no material injury should be caused to Madras. Mysore could only acquire right in excess of such natural right, either by grant or by acquisition as a right of easement. Madras had no necessity to acquire rights by prescription inasmuch as the right enjoyed by Madras was a natural right. The effect of the agreement of 1892 was to place upon Madras the burden of acquisition by prescription of rights which, but for the agreement, and assuming the parties to be governed by ordinary rules of law, would have been their natural right. Therein lies the difficulty of applying to the parties the law as laid down in statutes, text-books and Law Reports. The law and legal decisions on the question of the acquisition by prescription of rights by easement to irrigation deal with the acquisition of such rights by upper riparian owners as against lower. I have not been referred to any decisions on all fours with the present case where the lower riparian owner is called on to prove the acquisition of prescriptive rights against the upper riparian owners.”

In fact, the use of that one word “prescriptive” has been the cause of the whole of the subsequent trouble. The Mysore Government have contended ever since 1892 that by allowing the use of this word in the agreement, Madras abdicated the rights of a lower riparian proprietor and undertook the liabilities of an upper riparian proprietor. It is quite clear from contemporary documents, of which one has been quoted above, that this was not in the least what Sir Henry Stokes intended. Not only had he no right to make such a concession of the rights of the Presidency; it was against giving such a concession that he had throughout been contending. He was actually contemplating the construction of further storage works for Madras and expecting to receive the same quantity of water as was then passing the frontier to which, he contended, Madras was entitled “by prescription.” In other words he used the words “prescriptive rights” where a lawyer would have stipulated for “customary or natural rights.” Nor does it appear that the Mysore authorities had at that time their present interpretation of the word in mind. They took strenuous objection to the elimination of the words “in accordance with the law on the subject of prescriptive rights to water.” It is quite clear from the passage quoted from the award that there is no such law applicable to the case in question. Sir Henry Stokes was evidently likewise of opinion that some municipal law did apply since he noted in making the concession: “We shall have plenty of scope for controversy as to what the law is.”

Subsequent events have shown that he was a true prophet. Though the agreement has been in force for over thirty years there has been only one attempt made to interpret it, and though it is nearly fifteen years since the matter was referred to arbitration, the interpretation has not yet emerged from the domain of controversy. The facts of

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the Cauvery dispute are well known. The Mysore Government applied under the agreement of 1892 for the assent of the Government of Madras to the erection of a dam across the Cauvery at Kannambadi calculated to take 37,000 M. Cft. of water, primarily for power purposes. The Madras Government claimed that before they could consent to this they must be given a guarantee that a sufficient quantity of water would be passed down the river to feed the channels in the Tanjore District. The only method of giving such a guarantee under present conditions is to guarantee that water should be passed over the Cauvery dam at the upper anicut up to certain gauges. Madras claimed a gauge of 7 feet. Mysore declared 6 to be sufficient. The Arbitrator gave $6\frac{1}{2}$ feet. Both sides appealed. The Government of India declined to intervene, but on the second appeal to the Secretary of State, the latter authority set aside the award on the ground that the quantity of water was insufficient in certain circumstances for the needs of Madras and found that as a fact Madras had used seven feet normally and had on many occasions obtained the benefit of $7\frac{1}{2}$ feet. He gave to Mysore the option of three courses: (1) To submit a representation against the cancellation of the ratification of the award, or failing that either, (2) to come to a friendly agreement with Madras, or (3) to ask for a fresh arbitration by a new tribunal.

Of the three choices offered to them, Mysore selected the second and further negotiations resulted in an agreement concluded in 1924 which left a number of questions for subsequent settlement. Negotiations have been going on in regard to some of them for the last four years and none of them have been settled. It has become necessary to resort to another arbitration. It is however perhaps not going too far to say that Mysore have throughout the negotiations refused to discuss anything but the one issue of the Kannambadi dam and rest their case on the position of peculiar advantage which they believe themselves to have acquired by the agreement of 1892, and the conviction of the Madras officers who have been concerned in the negotiations is that on this basis and indeed on any basis derived from the agreement negotiations can only end in one result, viz., a stalemate.

2. *The Bhadra Case.*—The Bhadra river, an affluent of the Tungabhadra, flows entirely through Mysore. Although they contend that according to the strict letter of the agreement of 1892 they have the right to construct an anicut across the river, still the correspondence leading to the agreement conveying certain implied and explicit undertakings by the Mysore Durbar have been relied on for the position taken up by Madras that the construction of a new anicut like the Bhadra anicut must be deemed to be outside the scope of the 1892 agreement and subject to fresh negotiations. This aspect of the negotiations which led to the agreement, put forward by Madras on the advice of their Advocate-General, has been repudiated by Mysore. The Government of India have been asked to take up the case.

3. *The Palar Case.*—The Palar is a river taking its origin in Mysore, flows part of its course in that territory, and supplies by means of an anicut in the British territory a chain of tanks known as the Palar Anicut System. In the twenty years 1885-1905 the anicut surplussed 229 times while in the twenty years 1905-1925 it surplused only 64 times. The rainfall statistics disclosed no marked variations in the two periods.

It was therefore inferred that Mysore might have, contrary to the terms of the 1892 agreement, extended irrigation in the Palar upper basin by raising F.T.Ls. of tanks fed by the Palar and by construction of new anicuts across the river. Madras merely asked for irrigation statistics comparing the pre-1892 and present day irrigation. Mysore refused to supply them. The Government of India have been addressed to take up the case.

4. There have been other cases though minor in which there was a suspicion that Mysore were enriching their irrigation to the detriment of British interest in the basins of other rivers, contrary to the terms of the 1892 agreement. A recent instance is the Jayamangali (an affluent of the northern Penner) in which the Madras Government conveyed to the Resident the hope that the Agreement of 1892 had not been infringed.

5. There is an irrigation tank in the inam village of Mammasandiram in Anaikal taluk of Mysore State. Some of the wet lands under the Eriammal tank of the British village of Naginayakanhalli, Hosur taluk Bellary district, lie on the foreshore of the Mammasandiram tank. The ayacutdars of the Eriammal tank complained that the Inamdar of Mammasandiram was raising the bund of his tank and the crest level of its escape and that his action prejudicially affected some of the wet lands under the Eriammal tank. The Resident in Mysore has been asked to move the Mysore Durbar to direct the Inamdar to lower the weir of the tank, reduce the height of certain objectionable bunds and stone slabs. The Resident has not yet communicated the views of the Durbar.

II.—Hyderabad.

1. *Storages on the Tungabhadra and the Kistna.*—Every scheme of storage, so far estimated for, across these rivers involved the submersion of between 54 and 100 sq. miles of Hyderabad territory and our negotiations with them reached a deadlock in 1926, as they wanted the cession with sovereign rights of an extent of land in British territory yielding an equal revenue. This was impossible and if the proposed Timmalapuram reservoir (which would avoid the submersion of Hyderabad territory) is found to be not feasible, it will be necessary for the Government of India to interfere in the interests of the well-being of the millions of British subjects in the ceded districts in juxtaposition with the comparatively minor matter of the submersion of a few square miles of Hyderabad territory.

2. The Collector of Bellary reported that a complaint was received from the ryots of Adoni taluk alleging that the ryots of H.E.H. the Nizam's dominions erected temporary dams across the Tungabhadra river and diverted the water to their Bichale channel thereby causing heavy loss to the ayacutdars under the Rampur channel. The Honourable the Resident was addressed on 5th September, 1927. The reply of H.E.H. the Nizam's Government has not yet been received.

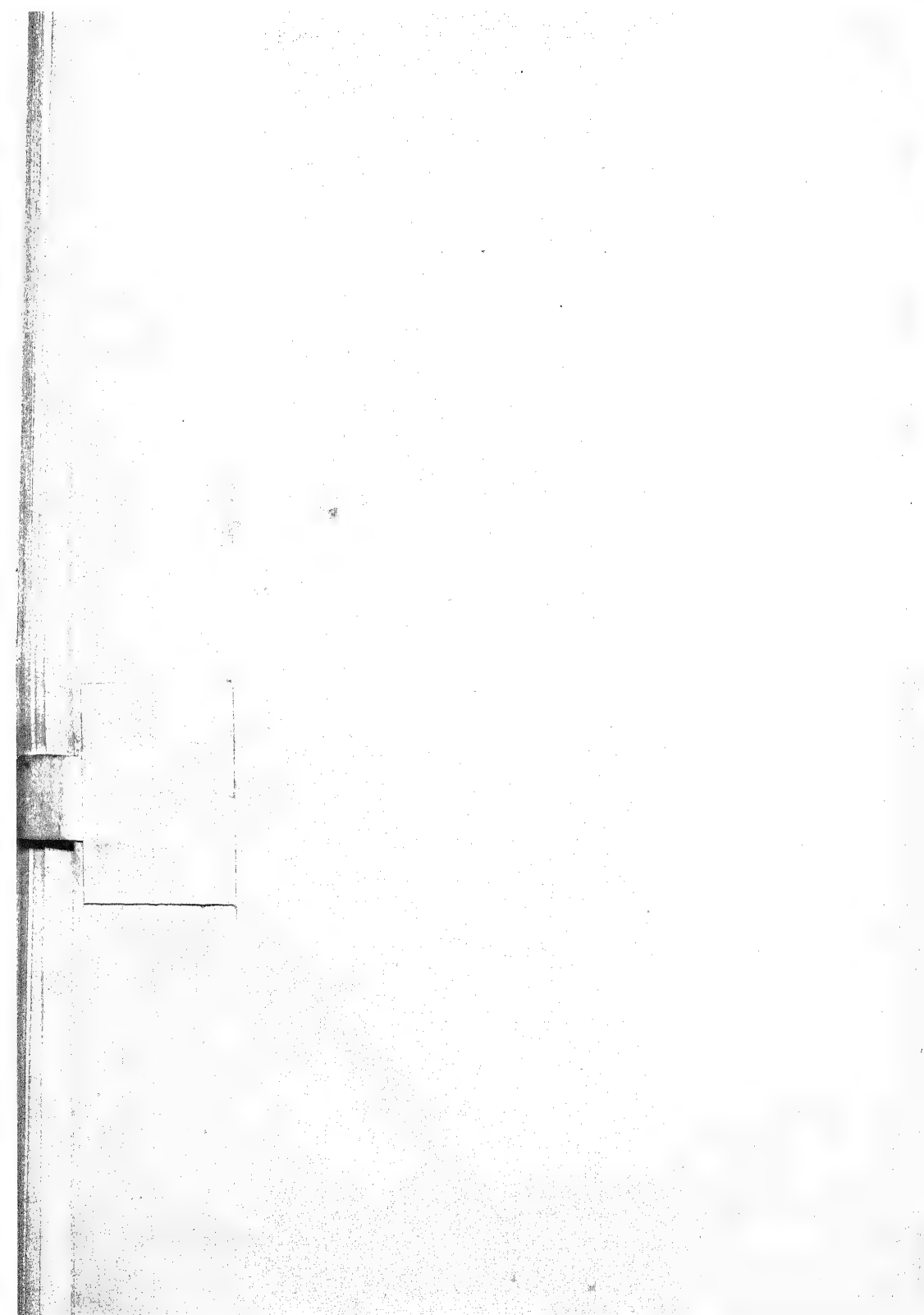
3. The proprietor of the Munegala estate in the Kistna district complained to the Madras Government that portions of two villages in his estate were submerged by the overflow of water from two tanks in

the Bethavole estate of the Nizam's dominions. To settle this dispute the E.E. Kistna, Central Division was asked to represent this Government and to submit a joint report in consultation with the Hyderabad representative. The Joint enquiry has not yet been made. The E.E. reported that he had not received any reply from the Hyderabad representative in spite of three letters sent to him. The Honourable the Resident has been requested to move H.E.H. the Nizam's Government to instruct their representative to send a reply to the communications received by him in order that the joint enquiry might be made at an early date.

4. Complaints were received that H.E.H. the Nizam's subjects were interfering with Madras irrigation works on the Tungabhadra river, that they damaged the British Ramasagaram anicut, Hospet taluk, Bellary district, thereby cutting off water from about 2,500 acres of wet lands, and that they were armed and were headed by the Tahsildar and accompanied by the Hyderabad police. The Honourable the Resident at Hyderabad was addressed in June, 1927. It was suggested that a conference of the engineering experts of both Governments should be held and a joint report forwarded. The final reply from the Resident has not yet been received.

SECTION VIII

GENERAL FINANCIAL RELATIONS



FOR OFFICIAL USE

General Financial Relations

Summary of Replies Received

To Paragraph 12 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

*Extract from the questionnaire issued by the Indian States
Committee.*

GENERAL FINANCIAL RELATIONS.

**12. Have the States any suggestions to make with regard to the
general financial arrangements existing between them and British India?**

BARODA.

Baroda's contribution to the cost of defence is exceedingly heavy in comparison with that of any other State or Province in India. This contribution consists of:—

- (a) the territories ceded for the subsidiary forces,
 - (b) the expenditure incurred on the contingent force from 1817, which in 1881 was commuted into an annual payment of Rs. 3½ lakhs,
 - (c) the expenditure incurred on Baroda's military forces which amounts to over Rs.20 lakhs a year on an average.
- (a) The subsidiary forces:—

Under articles 3, 4, 5, 12 and 15 of the Definitive Treaty of 1805 and article 1, 2, 3 and 8 of the Supplemental Treaty entered into in 1817, the British Government agreed to furnish to the Baroda State and station within its territories a permanent subsidiary force of four battalions of Indian infantry, each 1,000 strong, and two regiments of Indian cavalry, each 500 strong, together with one company of European artillery, with their due proportion of gun-lascars and with the necessary ordnance, war-like stores and ammunition. For the regular payment of the expenses of these troops, districts which then yielded a net revenue of Rs. 24,31,969 were ceded in perpetuity to the British Government. The subsidiary force was meant not only for the protection of the State but for the protection of adjoining British districts as well and for operations against any Power in India with whom war might break out. Under article 15 of the treaty of 1805 it was agreed that if disturbances should at any time break out in the Honourable Company's territories or districts bordering on those of the Baroda State, the Baroda Government should consent to the employment of such a portion of the subsidiary force as might be requisite to quell the same. By article 12 of the same treaty, it was agreed that should war break out between the British and Baroda Governments on one hand and any of the Powers in India on the other, the subsidiary force, with the exception of a reserve of the strength necessary for the "security of Guzerat" at the capital of the State, should be immediately put in motion for the purpose of opposing the enemy. This provision was repeated in the 8th article of the treaty of 1817 under which it was further agreed that the whole of the military resources of the State should be at the disposal of the British Government in times of emergency, and that Baroda's claim to benefit by a partition of territory acquired in foreign wars should be taken into consideration.

Territories were ceded for the payment of the expenses of the subsidiary force. In 1808, when the revenues of these ceded districts fell short of the stipulated amount, Baroda was called upon to make good the deficit by cession of further lands and assignment of the tribute due to it from Bhavnagar. In 1812, "a proposal was put forward by the Bombay Government to restore to the Baroda Government, in consideration of a payment of upwards of a crore of rupees, the territories ceded for the subsidy, and to farm to them

the districts acquired under the Treaty of Bassein, the engagements regarding the subsidiary force remaining otherwise intact."

The area of the ceded tracts is about 4,100 square miles and the population nearly $1\frac{1}{2}$ millions. They comprise practically the whole of the district of Kaira and the whole of the district of Ahmedabad with the exception of Dhandhuka and Gogo—some of the most fertile tracts of Guzerat. The Baroda Government have no accurate information about the net revenue of these districts at the present day, but from the Gazetteers and other published reports it is clear that this is much in excess of what it was in 1817.

(b) The contingent force:—

Under the Treaty of 1817 a further contribution to the defence of India was made by Baroda. Baroda agreed to furnish a contingent of 3,000 horse to act with the subsidiary force when it took the field. In 1881 this obligation was commuted into a pecuniary payment of Rs. 3½ lakhs a year.

(c) The expenditure on military forces maintained by Baroda:—

This amounts to Rs. 20 lakhs a year on the average.

It is submitted that the aggregate of the burdens imposed on Baroda, considering its area, population and other factors, is excessive. In the year 1830, the distinctive character of the subsidiary force disappeared and the force was merged in the northern division of the Bombay army. In the result, a force on which the British Government could count only on occasions of emergency has now become an integral part of its permanent military organisations for service at all times just like the ordinary forces of British India. Only one battalion is maintained in the Baroda Cantonment. The ceded territories now yield a much larger revenue, and as pointed out above, a proposal was once made by the Bombay Government for retroceding the territories for a lump sum payment.

It may be added that the principle enunciated by the Government of India, that where the expenditure of a State on military forces *plus* the tribute exceeds 15 per cent. of the gross revenue, the claim of the State to a lightening of the burdens should be considered, ignores the States that have ceded territories for the maintenance of subsidiary forces. This discrimination does not seem to be justifiable.

The Baroda Government strongly urge that there is no reason for continuing an arrangement under which such a disproportionately large burden is placed on Baroda and which has lost its justification in modern conditions. The whole question of the cost of defence should be examined *de novo*: a standard contribution should be fixed which would be based on uniform principles applicable to all States: and the inequality in the case of Baroda rectified by retrocession of territory and in such other manner as may be found feasible and equitable.

MYSORE.

(a) *The Mysore Subsidy.*

Compared with British Indian Provinces, the States occupy a distinctly unfavourable position in respect of their contribution towards common defence. The State of Mysore, for instance, contributes on much the same basis as does any British Indian Province to the Central Revenues, but it does not receive the same benefits in return. It is true that Mysore contributes less in the matter of income-tax than do the Provinces. On the other hand, she pays a heavy subsidy and maintains troops for Imperial defence—obligations from which the Indian Provinces are free.

The necessity for limiting the contributions of Indian States towards the cost of common defence has been recognised by the Government of India, who, it is believed, have the matter under their consideration. In determining what the States' share of common defence should be, however, it seems best to follow the example of the Provinces as closely as the differences in their respective conditions permit and to abolish all direct contributions in the shape of tributes and subsidies.

In the case of Mysore, this would mean that the subsidy which she is now paying should be abolished. The Mysore subsidy consisted originally of two parts. The first of these was a sum of Rs. 24½ lakhs fixed under the Subsidiary Treaty of 1799 in consideration of troops maintained by the British Government for the defence and security of His Highness's dominions. To this was added an indefinite liability to contribute to the defence of the territories of both contracting parties, which was commuted, first, into the maintenance of a body of horse, and later into the payment of an additional sum of Rs. 10½ lakhs.

A payment for protection was reasonable in the conditions obtaining in the turbulent days following the capture of Seringapatam, but is now out of place. This Government is grateful to His Excellency the Viceroy for the reduction which was recently announced in the subsidy, but they feel that it should be totally done away with. The cost of defence, in their opinion, should be contributed on an equitable and uniform basis by both the States and British India. The manner in which this can best be done appears to be, firstly, by laying down certain principles defining the financial relations, to be arrived at between the Government of India and the States, and secondly, by making a settlement with each State or a group of States in turn. This would not only remove what is now a historical anomaly, but would also be in consonance with the idea of a Federal Government under which each member of the Federation would deal and be dealt with on an equitable basis.

(b) *Use of Administrative Jurisdiction for Fiscal Purposes.*

The Government of India have on many occasions disclaimed the intention of using jurisdiction secured for administrative purposes to enhance their revenue at the expense of the State which has ceded the jurisdiction. The following are instances of cases in which, as it

APPENDIX C.

Letter No. 10523—148-1925, dated 17th October, 1927, from the Secretary to the Resident in Mysore to the Law Secretary to the Mysore Government.

SUBJECT:—LEVY OF INCOME-TAX ON THE PROFITS OF THE BROAD GAUGE LINE OF THE MADRAS AND SOUTHERN MAHRATTA RAILWAY WITHIN MYSORE TERRITORY.

I am directed to refer to your letter No. Pol. 555—I.T. 13-25-7, dated the 21st December, 1926, and to convey the views of the Government of India on the subject.

2. The Government of Mysore have ceded full jurisdiction over the railway lands in question. They retain no fiscal rights in regard to the lands concerned. The conditions, the Government of India add, are precisely the same in the numerous other cases where British lines pass through State territory, and the Government of India have no doubt that the recovery of Mysore income-tax from these lands is entirely illegal. They have, it is true, made certain concessions to the Government of Mysore in the matter of sandalwood and liquor licenses, as pointed out in your letter: but these concessions, it is explained, have been granted, not as a matter of right, but as a matter of grace.

3. The Government of India have acquired full jurisdiction over the lands in question and it is, the Government of India state, for them to decide on the extent to which legislation should be applied thereto. The argument contained in paragraph 4 of your letter to the effect that, because a certain "suggestion" (that the powers exercised by the Government of India over railway lands may be reduced to the minimum necessary for railway purposes) has been made, that suggestion constitutes a "policy which it is proposed to pursue," can, the Government of India remark, hardly be accepted, especially as the recovery of Mysore income-tax relates to a period prior to the issue of the letter containing the suggestion concerned.

4. The Government of India point out, moreover, that, apart from the question of jurisdiction over the territory concerned, the profits of the Railway Company, since they are received in British India, are taxable under the Indian Income-tax Act (XI of 1922).

5. In the circumstances explained, the Government of India desire that, as already requested, arrangements may be made for the adjustment of the sum of Rs. 24,693 (Rupees twenty-four thousand six hundred and ninety-three only).

INDORE.

The Holkar State feels that the revenue rightly belonging to it is, in a variety of ways, taken by British India. It would therefore ask that an equitable adjustment be made in these matters.

TRAVANCORE.

The Government of Travancore have no suggestions to offer in regard to the general financial arrangements between this State and British India apart from what has been stated on financial issues in the answers to the questions already recorded.

COCHIN.

The Durbar has no special remarks to offer on this excepting to point out that in order to carry out the financial rearrangement consequent on the adoption of the preceding contentions, a committee will have to be instituted to study the inter-relation of Indian administrative units with special advertence to the conditions and circumstances of each State and make a proper re-allocation of the financial arrangements between British India and the several States.

Subsidy.

In 1791 the subsidy payable by Cochin was fixed at Rs. 1,00,000. Later on, on account of an internal rebellion and the necessity of the immediate presence of an armed force, the subsidy was enhanced by Rs. 1,76,037. Thus the subsidy aggregated to Rs. 2,76,037. In the year 1819 the subsidy was reduced to Rs. 2,00,000. Later on, the reason for levying the subsidy disappeared, because during the years that elapsed between 1819 and 1900 all the armed forces were withdrawn or disbanded, and in 1900, when the Maharaja objected to the withdrawal of the last contingent of the British armed force, he was asked to organise on his own account a small force of military police for the purposes of the State. This course has been adopted and the result is that the extra tribute levied a century ago on account of, and to maintain, this armed force has lost its *raison d'être*. There can therefore be no possible objection to reverting to the *status quo ante* (i.e., the payment of a lakh of rupees). Even with regard to the subsidy of one lakh of rupees, the following considerations have to be borne in mind which are applicable not only to this but to all other subsidies payable by Indian States. If the Indian States become part of a federal government, then such government would be charged with the duty of maintaining internal peace, and preventing external aggression throughout the whole of the federated territories. It may be that new arrangements and a re-allocation of the finances on the basis of those arrangements may have to be made for the purpose of these duties, and a general financial rearrangement would, in any case, be necessary with reference to the various considerations adduced above. If such a financial re-adjustment takes place, there is no longer any reason for maintaining a subsidy as such, in as much as the subsidy was demanded and paid practically as a recompense for, or as the cost of, the maintenance of a special force for the protection of the State in particular and India in general.

JODHPUR.

The States suggest a general adjustment of financial arrangements between themselves and British India, as it is felt that in a variety of ways revenue belonging to the States is actually seized by British India. The whole subject will be dealt with in the general scheme which will be put before the Indian States Committee.

BANSWARA.

I am suggesting to the Standing Committee of the Chamber of Princes that they may kindly include Banswara's case.

JAISALMIR.

As regards general financial relations, the Durbar do not desire, at present, to add anything to the suggestions they have made with respect to fiscal relations in reply to question 5 (a), (b), (c), (d).

PARTABGARH.

A general adjustment of the financial arrangements between the States and British India is desirable as it is generally supposed that in several ways revenue belonging to the States is enjoyed by British India.

COOCH BEHAR.

The Regency Council have at present no suggestions to make with regard to general financial arrangements existing between the State and British India.

JHALAWAR.

On the subject of financial arrangements between British India and the State of Jhalawar, the Durbar's views are the same as those of the Chamber of Princes, which, it is understood, will be submitted to the Indian States Committee in due course.

JUNAGADH.

The financial relationship existing between Junagadh and British India is directly a collection of the Zortalbi, a tribute due to Junagadh from most of the States of Kathiawar, and the retention by the Paramount Power of 25 per cent. therefrom as the cost of collection, and the payment by Junagadh of tributes to the British Government as well as to the Gaekwar. There is very little payment in respect of commodities supplied or services rendered by either party to the other.

Apart from any such direct give-and-take of services which involve payment of fixed or other amounts, any influence which the financial administration of the Government of India has on the finances of the State is indirect. Such indirect influence can arise in several ways. In the matter of customs this has been already indicated. It can arise in respect of prices realised by commodities which are exported from the State, and of the general purchasing power of the people of the State on account of fluctuations in the price as the result of the management of the currency and exchange by the British Government. These influences are noticed here not necessarily as being antagonistic but merely in order to enumerate the headings. Similarly the rate of wages is also influenced by economic factors which do not respect historical boundaries. The effect in respect of mint and currency has been dealt with in answer to question No. 7.

A reference is necessary to the question of income-tax levied in British India. This tax is collected from the subjects of the Junagadh State who do trade in British India. It is even sought to be collected from the agents of such subjects on profits made in British India. Income-tax is also taken on Government Loans held by the subjects of Junagadh State, as well as on loans held by the State. The levy of income-tax on Government paper held by His Highness seems to be open to question from the constitutional and every other standpoint. The amounts paid out by Junagadh State are, however, small and the Durbar do not desire to raise any question of compensation. Should the Butler Committee, after investigating the problem, make any recommendations, they would request that the benefit of such recommendations should be given to them.

The effect on Junagadh of administration of Excise in British India is dealt with separately in answer to question No. 14 hereunder.

TRIPURA.

BARWANI.

The States suggest a general adjustment of financial arrangements between themselves and British India, as it is felt that in a variety of ways revenue belonging to the States is actually enjoyed by British India. In how many ways this occurs will be made plain at a later date. If the proposals above referred to be put forward on behalf of the Princes generally, the whole subject will be dealt with.

CAMBAY.

This question of general application the State would prefer to be considered in the light of general representations that are going to be made by the more important States.

PUDUKKOTTAI.

We have nothing special to say on the question of General Financial Relations between the State and the British Government, and the only suggestion that we wish to make is that in any general adjustment that will be made all revenues that are equitably due to the State may be given to it. The expenditure of the administration is increasing day after day and the revenue of the State is not susceptible of a corresponding increase. While we have adopted the model of administration in British India we have not now all the resources for income available for the British Indian Government, and an equitable distribution of some of the general sources of revenue such as customs, &c., will free many an Indian State from financial embarrassment.

SAMTHAR.

The State concurs with the views and the case submitted by the Standing Committee of the Princes.

BANSDA.

(1) Loans raised by States having full powers should be recognised as authorised securities by the Imperial Bank of India, provided such loans are raised after obtaining the approval of the Paramount Power as at present.

(2) In case the proposal made above were not accepted on the ground that there is not sufficient guarantee behind the raising of loans for development purposes, the Government of India should make it a principle to advance loans on a reasonably low rate of interest so that the scheme to be undertaken in States for development purposes may not die of inanition.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

The State wants to put on record that there are many financial matters the advantage of which, though belonging to the State, goes to the Imperial Revenue. The whole matter will be dealt with by the Standing Committee and represented to the Indian States Committee in due form.

RAJKOT.

See reply under Question 11, "Discussion of matters of joint interest to British India and the States."

SANGLI.

The Sangli State will send its reply later.

SAWANTWADI.

The Sawantwadi Durbar, along with the other States, would suggest a general adjustment of financial arrangements between the States and British India, as it is felt that in a variety of ways revenue belonging to States is actually enjoyed by British India. A good way of securing the necessary adjustments would be to follow the procedure outlined in the preceding paragraph (vide reply to question 11). In this connection reference is also invited to the procedure outlined in paragraph 7 above. (Note on financial and economic matters after reply to question 5.)

WANKANER.

The States suggest a general adjustment of financial arrangements between themselves and British India, as it is felt that in a variety of ways revenue belonging to the States is actually enjoyed by British India. In how many ways this occurs will be made plain at a later date when the general principle is accepted and a scheme for adjusting such relations comes into being.

AKALKOT.

The State suggests a general adjustment of the financial arrangements between it and British India, as it is found that in a variety of ways revenue belonging to the State is actually enjoyed by British India.

BHOR.

It is necessary to have a general adjustment of financial agreements between the States and British India in a variety of ways. How this occurs will be explained in detail on behalf of the Standing Committee.

PHALTAN.

The question is rather too vague, and it is not therefore possible to answer it accurately and thoroughly at this stage. However, it is believed that this question has been answered indirectly in the replies to other questions. The restrictions on States in raising public loans, the Post and Telegraph services, Postal Savings Bank, Mints and Currency, Customs, Administration of Salt, Excise and Opium, &c., are all matters which adversely affect the economic interests of States in lesser or greater degrees. These and such other matters must be readjusted to produce an economic equilibrium between the States and British India.

MIRAJ (Senior).

The influence of the financial policy of the British Government is bound to be felt both directly and indirectly by the States as well as by British India as hitherto. That policy would itself be influenced from time to time by the world conditions of currency, credit, public debt and prices affected by supply and demand of the nations with which it has dealings. That being so the States, including my State, which depend solely on land revenue, cannot independently control these influences for protection of State interests. These influences are irresistible under the modern changing conditions. Under the circumstances explained in the earlier part of this section the State must depend entirely on the Paramount Power for protection of its interests and for expert advice and guidance in such matters. That is a problem extremely difficult to solve satisfactorily even for the British Government, which is also concerned with the interests of the State. The influence of capitalism in the commercial world, including Great Britain, is too powerful at present, both for British India as well as for the States. And the British Government alone can find means to modify it. But so long as the Paramount Power allows itself to be carried off along the strong current of this force, regardless of its consequences, the entire majority of the agricultural and industrial population of India is helpless. The day must come, however, when even the Paramount Power must feel the necessity of reconsidering the position, with its past, present and future. It is not easy to see what even your Honourable Committee can suggest to help it. It has to remember not only the present position but also the new situation that will be created when the Government of India leaves the British hands. The question of settling the relations, financial and economic, as between Great Britain, British India and the States, has to be considered. It would be remembered that the settlement should be such that the new Government would be bound by it. Hitherto the British

Government had the sole management and power. The attitude of the Indian Leaders now is to oppose the present policy. They would also oppose the recognition of the distinct and separate financial and economic interests of the States. That opposition has to be disarmed, and the three distinct interests and their relations fully settled and recognised with common consent. The lawful interests of the States must be made plain to the new Government of India. The Imperial interests cannot be denied. The Indian States' interests are purely a business proposition, based on pure reasons, fairness and justice. These are rightful claims; they cannot be denied.

MIRAJ (Junior).

This State suggests a general adjustment of financial arrangements between itself and British India, as it is felt that, in a variety of ways, revenue belonging to the State is actually enjoyed by British India.

JAMKHANDI. RAMDURG.

This question is too vague, and we have not been able to understand its full implication. We are not, therefore, in a position to give any reply until the meaning of this question is made more clear.

KURUNDWAD (Senior).

This question being vague, I am not in a position to give a reply unless the meaning is made clear.

MULI.

The answer to this question remains in abeyance until we hear further from the central organization.

VADIA. VIRPUR. LAKHTAR.

This State has no special suggestion to make with regard to the general financial arrangements existing between the Indian States and British India, but suggests that a general adjustment of financial arrangements between the States and British India may be made such as will guarantee the States the revenue belonging to them, which is found to be actually enjoyed by British India, as a result of the investigation of the question by the Committee.

KOTDA SANGANI.

As to Item XII, I have no particular remarks to offer and would here again accept the opinions of a majority of non-maritime States of Kathiawar on this matter.

SAYLA.**THANADEOLI.**

This is too vague and indefinite, and therefore this State is not in a position to offer any observations.

MALIA.

My State has been treated as a Maritime State, and I therefore submit that in any proposals that the Indian States Committee might formulate or in any financial arrangement relating to customs, ports, &c., that the Committee might enter into or propose with Maritime States, I may be allowed to participate in the benefit and privileges extended to those States.

THARAD.

This State would suggest that a general adjustment of the financial arrangements of the States with the Government of India should be made, as it is found that in a variety of ways revenue pertaining to the States in one form or the other is actually being enjoyed by British India. The ways in which this occurs will be made plain later. In the proposals above referred to* the whole subject will be dealt with.

PIPLODA.

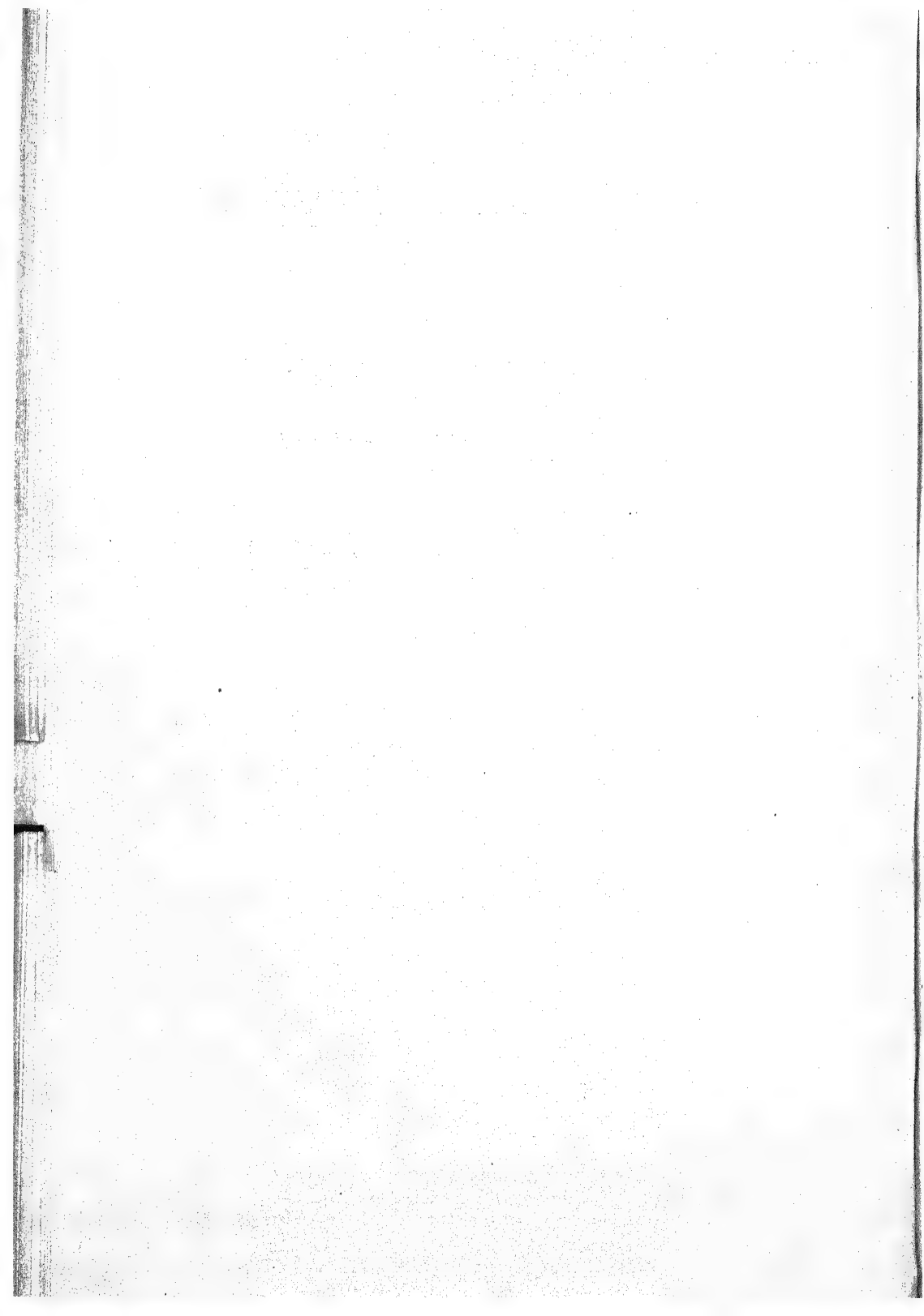
The general financial arrangements existing between the States and British India appear suitable.

**RAMPUR.
DHRANGADHRA.
MORVI.
RADHANPUR.**

**SACHIN.
WADHWAN.
SAVANUR.
DUJANA.**

These States indicated that they had no suggestions to make with regard to the general financial arrangements existing between them and British India.

* See reply under "Discussion of Matters of joint interest to British India and the States."



SECTION IX

OPIUM

FOR OFFICIAL USE

OPIUM

Summary of Replies Received

To Paragraph 13 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

Extract from the questionnaire issued by the Indian States Committee.

OPIUM.

13. Do the States desire to bring forward any questions in connection with opium ?

HYDERABAD.

The relations of Hyderabad with the Government of India in respect of opium are governed by the Opium Agreement of 1883 (Aitchison's Treaties, 4th edition, p. 131). Legislation has recently been brought up to date by the enactment of the "Hyderabad Opium and Intoxicating Drugs Act," No. IV of 1334 Fasli. Increased interest is now being taken throughout the world at the instance of the League of Nations in the subject of opium administration, and His Exalted Highness' Government has co-operated by the supply of statistics and in other ways. It desires here merely to point out that Hyderabad, as contemplated by the Agreement, draws its supply from Malwa and that if (as is understood to be the case) it is contemplated that the supply of opium in India should be confined to issues from the factory of the Government of India at Ghazipur, the financial interests of Hyderabad may be adversely affected. A rough calculation shows that the difference in price between the present supply and opium from Ghazipur might result in a loss to the Dominions of as much as Rs. 2½ lakhs annually.

BARODA.

In the interest of the British opium revenue, the State was asked to establish, at a considerable sacrifice of revenue, the Bengal system of opium monopoly in its limits. While the export of opium to China was in existence, chests exported from Baroda territory were, however, subjected to the British pass duty. During the period from 1907 to 1912, when the export was being gradually decreased, Baroda was not given an equitable pro rata share of the export trade. After the stoppage of the opium trade with China, Baroda is not given any share in the existing trade to the non-China markets, and Baroda's right to supply its tributary areas with Baroda grown opium is not recognised. It is urged that the State's claim to an equitable share in the existing export trade of India in opium should be recognised and the State should be allowed to supply Baroda grown opium to the States and estates tributary to it.

MYSORE.

So long as the Government of India continue to derive a revenue from the export of opium, while prohibiting the cultivation of the poppy in the States, the fact should be taken into account in the general financial settlement. As regards the opium consumed in the States, the present arrangements are satisfactory, provided the Government of India agree to supply opium to the States exactly at cost price. But the States ought certainly to have an opportunity of expressing their opinion before they are asked to undertake any more restrictions sought to be imposed by the League of Nations.

INDORE.

As has been explained in para. 5 (a) (13), the opium policy of the British Government has paid no attention to the rights and interests of the State. It is, moreover, suggested now by British Authorities that poppy cultivation in India should be confined to parts of British territory, and that the Indian States should obtain their supplies of opium for domestic consumption from British Indian factories alone. The State has protested against any such measure being introduced, and has explained how unfair it would be.

PARA. 5 (a) 13.—The British Government entered into an agreement with China for the gradual reduction, and ultimate stoppage, of export of opium to that country. This measure vitally affected the interests of Indian States; but the British Government did not consult their wishes, much less obtain their concurrence.

TRAVANCORE.

The Government of Travancore do not desire to bring forward any general questions in connection with opium and excise. Minor questions when they arise will be taken up for settlement in the ordinary course.

JODHPUR.

The Jodhpur State does not produce any opium, but it views with apprehension the policy of the Government of India concentrating the production in British India, which will probably have the effect of raising the price. It also disapproves of the system under which it is proposed to compel them to obtain their supplies of opium for domestic consumption from the British Indian factory only.

BANSWARA.

Banswara is an opium producing State, and its soil is well suited for poppy cultivation. The average out-turn is reported to be 12½ seers per acre. In some parts poppy grows even without irrigation.

The Durbar have officially prohibited opium smoking and have passed and adopted an Opium Act on the basis of the League of Nations' Draft suggested in 1921-22, and control production and consumption of opium through the State Agency. All private trade in opium has been stopped, and no exports and imports are now allowed on private account, while the cultivation of poppy is permitted under licences only; and no private individual can now stock opium. The limit of private possession has been fixed at 5 Tolas only. The Durbar also possess no large stocks.

The Government of India have lately pledged themselves to the following international undertakings:—

- (1) that India is pledged to the ultimate suppression of opium smoking;
- (2) that the Government of India are bound to effect the limitation and control of export of opium, so that none may reach other countries without the consent of their respective Governments;
- (3) that the smuggling of opium to the far East is to be prevented; and
- (4) that effective measures are to be taken to prevent illicit traffic in raw opium.

So far as Banswara is concerned, all these undertakings have already been carried out.

At the time when China trade of opium was stopped, in Mewar and some other States in Rajputana and Central India, there were large stocks of opium in private possession. And the Government of India drew upon them for their supplies. But about ten years ago, the Government of India settled with Gwalior, Indore and certain other States in Central India for fresh production of opium for their supplies. The result was that the accumulated stocks referred to above could not be exhausted and continued.

In 1926, His Excellency the Viceroy convened a Meeting of the representatives of the various States at Simla to consider this position, and suggested that the policy of the Government of India would be to involve the ultimate discontinuance of poppy cultivation in the States, and the supply of opium for their consumption in accordance with their requirements by the Government of India at cost price. The States would thus be placed in exactly the same position so far as their supplies of opium are concerned as the provinces of British India.

The question of stoppage of poppy cultivation without causing loss to the cultivators was recently considered by the Committee appointed by the Government of India last year.

The Durbar do not find any other crop suitable to replace poppy cultivation in the Banswara State. They are also unable to see the advantage of the policy suggested by the Government of India, when their own soil and circumstances are more favourable for poppy cultivation to meet their own demand for internal consumption. As the soil of Malwa is more suitable for poppy cultivation and as the British Government and the Indian States have unity of interests, the Durbar would rather suggest that the British Government had rather manage to get its supplies from Malwa than produce it in British India under more unfavourable and costly circumstances. Even in the interests of the international undertakings of the British Government, the Durbar consider it better that the State continued the cultivation of poppy for its own consumption, which will involve no import and export operations.

A State like Banswara, which is small and situated far inland would feel great inconvenience in stopping its people from supplying the stuff of a superior quality they produce quite easily and to their advantage, and getting the same of a rather inferior quality from a distant place like Ghazipur.

The policy of the Government of India in regard to opium does not aim (except in regard to smoking) at prohibition, but it aims at enforcing moderation.

The opium trade in India is now practically a monopoly of the British Government and in view of the unity of its interests and of the States', it is not understood why it suggests that cultivation of poppy be stopped in the more suitable soil of the States but continued in an inferior soil in British India.

The policy, the Durbar understand, is apparently advocated to stop smuggling of opium from States into British India. In the Durbar's opinion this object can be more easily achieved in another way. Smuggling is resorted to by the people owing to differences in prices in various localities. If the States and the British Government agree that opium is sold throughout India at a uniform price evolved by common consent to suit all places, irrespective of the principle of "maximum revenue from minimum consumption," no smuggling can be ventured. By this way the element of smuggling will be avoided and no botheration of centralising manufacture and production at one place and distributing it over such vast distances in this country, entailing unnecessary expense of big supervising agency and heavy transport charges will have to be borne, while there will be no occasion for overt or secret dissatisfaction of the people that is lurking in the suggested policy and arrangements.

JALSALMIR.

The Durbar generally endorse the policy of maximum revenue from minimum consumption, but adoption of any sudden drastic measures is not desirable. Opium is not cultivated at present in Jaisalmir but the Durbar reserve their right to opium production.

PARTABGARH.

Formerly the merchants used to buy the poppy juice from the cultivators and manufacture it into opium. The merchants used to despatch the stock to the sea-port town when a high price was obtainable there and withheld it when the demand was slack. Much speculation in opium deals used to go on among the traders in the State. The exclusion of opium from China brought about the ruin of the trader. His capital and business were lost.

Since 1917 the Government of India purchase price is regulated from time to time with direct reference to the price paid to the cultivators in the United Provinces. If the threatened policy of Government in connection with the discontinuance of poppy cultivation or its export to non-China markets be brought about the heaviest loser will be the cultivator who would be impoverished and lose his credit. The total

loss to the cultivators and the State would be Rs. 2,82,600 per annum, as under:—

	Rs.
Loss to the State	1,06,646
Loss to the cultivators	1,15,600
Loss to the Jagirdars	60,354
<hr/>	
Total	Rs. 2,82,600
<hr/>	

The popular view is that the legitimate trade in opium should be thrown open and facility afforded for carrying it on without objection. The manufacture and export of morphine may also be allowed.

RAMPUR.

See reply under "Salt."

COOCH BEHAR.

The Regency Council do not desire at present to bring forward any questions in connection with opium and excise.

DHRANGADHRA.
WANKANER.
WADHWAN.
MULI.

KOTDA SANGANI.
SAYLA.
THANADEOLI.
MALIA.

The States claim the right of cultivating opium within their States to which they are justly entitled. They also demand that the pass fees, which were in their origin a transit duty, should fully enure to the benefit of the States which consume the opium. If this be not possible, the States claim that *status quo ante* may be restored by allowing them to purchase their requirements of opium from Malwa and other States without payment of any transit duties.

JHALAWAR.

The Jhalawar State claims its inherent right to cultivate opium which, along with the opium of the other States of Malwa, has been enjoying an age-long reputation of being among the best varieties of the drug in India, for which the consumers willingly pay a higher price than for the produce of other provinces. If this State is to be deprived of the revenue which it thus derives from its opium, it should be sufficiently compensated.

JUNAGADH.

The arrangements between the British Government and the Junagadh State in the matter of opium are governed by the Agreement dated 4th July, 1820 (see Appendix LVI) and are quite satisfactory.

APPENDIX LVI.

Shri Durbar proclaims to all the people that Captain Barnewell, the Political Agent in Kathiawar, has sent us a notification, which is published for your information.

The Political Agent will address a Parwana to me about the Saakar's opium passing through my territory, which will contain the quality and quantity of the opium, and whether it is contained in baskets, leather-pots, boxes or carts, as also the place where it will be stored.

A register containing the names, &c., of the persons who bring opium to my town and villages dependent to it and sell it, and of the purchasers, should be kept. On enquiry by Government, should anyone fail to produce a regular register, or if anyone conceal the real amount sold, a duty, at the rate of one rupee per each ser short, will be charged and recovered from the dealer.

The duty of the opium covered by a pass will not be much. This arrangement has been made by Government with a view to prevent opium being exported at any of the seaports.

Should any opium be brought on carts, camels, bullocks, vessels or by any other conveyance without a pass, the opium, with the conveyance, will be confiscated in payment of the fine. A third part of it will be paid to the person who causes it to be seized, or who points out the smuggler with certainty, and the remaining two parts will be paid to the Talukdar or Zamindar of the place where it was seized, and if it be seized within my Taluka, the same will be given to me.

Should any person keep or cause to be kept concealed any opium which has been smuggled as above, the opium will be seized for the offence and an amount double its value will be recovered from him as fine. A third part of the whole will be paid to the informer and the remaining two parts to the Talukdar or Zamindar in whose limits it may be seized. If it be discovered within my territory, the same will be paid to me.

Samvat 1876, 2nd Jesht, Wad 9th (4th July, 1820).

(Translation of a Notification sent by Captain Barnewell, Political Agent in Kathiawar, to the Chiefs of the Province of Kathiawar, for publication within their respective Territories and accepted by the Junagadh State.)

TRIPURA.

The opium policy of the Government of India in the past has paid no attention to the interests of the States. Apart from past injustice, the States at present object to the concentration of the opium production in British India, and to the system under which it is proposed to compel them to obtain their supplies of opium for domestic consumption from the British Indian factory alone. On the basis of

cultivated area at the date of the last Opium Commission, the producing States claim to be allotted definite zones of supply. They further claim the right to export opium to non-China markets under Geneva Convention Rules: so also to manufacture and export morphine.

BARWANI.

Barwani State has not been producing opium for the last few years. At present it is a consuming State only. It is disadvantageous to the State to obtain its supplies for domestic consumption from a British Indian Factory alone when opium producing States' areas are so near it.

CAMBAY.

The opium agreements of 1881 and 1897 would require revision in the light of such changes as may be made in the arrangements with other States as regards the cultivation of poppy and manufacture of opium, or the purchase of opium required for consumption in the State in the open market.

MORVI.

A short history of the subject may be given to appreciate the situation.

Previous to the connection of the British with Kathiawar, which commenced in 1807, and for 15 years afterwards, there were no restrictions on the manufacture and free import and export of opium in and out of Kathiawar. In 1822, however, export of opium from Kathiawar was prohibited, but at the same time Government pledged themselves to supply opium at cost price, free from any duty. This continued for 60 years. Of course, during the interval, representations were made to allow the States to grow their own poppy. In 1878, however, a duty of Rs. 650 per chest was imposed, which was increased from time to time, out of which one third was refunded to the States and two-thirds was retained. Relying upon treaty obligations and on the guaranteed internal independence of the States, they protested against the imposition of duty and also against the ban imposed on the cultivation of poppy in their own territory. But, although Government undertook to do nothing derogatory to the States, they did not grant their request. It is thus obvious that the opium policy of Government has paid little attention to the interests of the States and that their cherished rights are denied. It is earnestly urged that the whole question should be reconsidered and revised so as to leave the internal rights of the States intact, and that, in the meantime, the whole amount of the pass-fee should be paid to the States.

PUDUKKOTTAI.

At present we are purchasing the opium required for consumption within the State from the British Government, and the inequitable system of requiring us to pay the duty on the drug imposed by the Indian Government has so far continued. We are separately protesting against this to the Government of India and the Durbar would urge the justice of this claim to the supply, duty free, of the opium required for the consumption of their people.

RADHANPUR.

In their opium policy the Government of India have in the past paid no attention to the interests of the State. Apart from such past injustice the State at present objects to concentration of opium production in British India and to the system under which it is proposed to compel the State to obtain its supplies of opium for domestic consumption from the British India factory alone. The State therefore wants that it should be at liberty to purchase opium from the British India factory or from a Native State as it finds suitable, and to sell it at its own price.

SAMTHAR.

The State concurs with the views and the case submitted by the Standing Committee of the Princes.

BANSDA.

So long as opium continues to be consumed by the people, the duty levied thereon in British India should not, so far as the consumers are Indian States' subjects, be appropriated to Imperial Revenue. The refund of duty charged is only one-fifth with regard to opium imported in this State. As the refund is not the same in all the States, it is urged that uniform principle should be adopted as regards States that did not originally cultivate it. The Government of India should not make a profit on the quantity consumed in States, nor should the Government of India stop its total consumption without the consent of the States.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

The State may purchase opium in specified place only on the light of its evidence before the Opium Committee recently, provided no hardship falls on it.

RAJKOT.

Question 13 marked on the list is about opium. Opium, for some reason not understood by us, is, like salt, considered an Imperial commodity, Government having monopolised the whole trade to itself and only allowing a few chosen States to grow it and sell the product to the Government at a nominated price. Economic considerations give us ample scope to deprecate the monopolising system of the Government. Native States' subjects are deprived of their right to grow poppy in their fields and the parochial system of the Government compels those Native States' subjects to yield a quota of their revenue when they have to buy opium at a much higher price than they otherwise would have to. What Imperialism is attached to opium I do not understand. The States, I suggest, should be given their legitimate rights to grow any commodity they like which is of great utility to their subjects. If the Government have ulterior motives of having an indirect control over every commodity that grows in this country and is exported, to be again imported as manufactured article for public advantage, I am sure the Government with the available statistics can suggest in the assemblies the requisition demanded; and I have no doubt that if such a course is adopted, full co-operation will be given when all co-operators know for what reasons these requisitions are asked for. Opium case could similarly be treated and if the Government will expound their principle and explain why opium is marked out as a sacred item of Imperialism, every chamber of the States would gladly co-operate if the arguments are alluring enough.

I have failed to understand why commodities like salt and opium are considered to be Imperial items, for we believe that in case the Government wishes to earn a revenue from these articles, organisation suitable to all the parties may be concocted and perhaps such an action would give impetus and facilities to all the parties of the general situation.

SACHIN.

The present opium arrangement is about to be modified by Government and I am not in a position to be able to give any further views on the matter at present except to state that in case the opium consumption in the State is stopped by Government the State should be compensated in proportion to its past figures of revenue.

SANGLI.

In the year 1881 the British Government deemed it desirable to conclude arrangements for the complete prohibition of the cultivation

of poppy and manufacture of opium in the State. It was a year of Joint Administration in the State. In return for the making of this agreement and as a condition of its terms being kept to, the British Government agreed to remit to the State one-fifth of the pass-fee ruling at the time of purchase on all opium purchased by the State from the Government depot and sold in the State. In the absence of this agreement it would have been open to the State to make arrangements for either itself producing opium, or purchasing it from another State at less than the cost price charged by Government, consistently with providing all safeguards necessary for the protection of the British Indian revenue, not to speak of the trade which would have been open to it to carry on in the drug. In that case it would have been possible for it to save four-fifths of the pass-fee levied upon it by Government on the opium purchased by it and sold in its territory from 1881 onwards, apart from the profit which would have been open to it to derive from its trade.

It appears from the abstract of evidence of the Honourable Mr. W. Lee Warner, C.S.I., published in the Minutes of Evidence taken before the Royal Commission on Opium from 29th January to 22nd February, 1894 (*vide* Volume IV, Appendix XXIII, pages 495-97), that "interference of this particular form" in Bombay was "based avowedly on the vital requirements of Indian Finances." Under the Mughal Empire an opium monopoly was asserted. As the Mughal power declined, their rights also fell into abeyance. In 1773, Warren Hastings assumed the monopoly in the Company's possessions in Bengal, Bihar and Orissa. The contract system was abandoned in favour of the direct agency system at the close of the last century. The fall of the Peshwa and the break-up of the Maratha Confederacy extended British ascendancy to Rajputana, Central India and Bombay by the year 1817 A.D. The increased knowledge of the country, which the British Government possessed, showed that the Bengal monopoly could not be maintained without the co-operation of the Western and Central India States. After some attempts to prevent export of opium from that side of India by buying up the produce of a restricted cultivation, the British Government settled down in 1829 to the principle which has in the main been followed since then. "Briefly the scheme was this. Central India and Rajputana were allowed to grow what they pleased, but their opium was not to leave the States save under passes granted at a special rate of duty to cover the transit to the ports whence it was shipped." It is clear from this that before the British supremacy was extended to Rajputana, Central India and Bombay, by the year 1817, the opium grown in Central India and Rajputana could reach the Sangli State without any restriction and duties of the kind now in force. The British Government had promised the State that its condition would be better than under the Peshwa and that it would suffer no injury in any respect. It is for Government to see whether the restrictions on importation of opium into the Sangli State under the Opium Agreement have not injuriously affected the interests of the State.

As observed by such a high authority on Indian States as Sir W. Lee Warner, "Bombay States in their turn paid the penalty due to geographical conditions. If they too had been allowed to grow opium, it would have been impossible to protect the revenue, since their ready

access to the sea would have defied proper supervision. If, then, Rajputana and Central India were to be allowed to produce opium, and if the Bengal monopoly and British finance were to be protected, the Bombay States must submit to differential treatment Baroda got the benefit of the possible exemption from the prohibition to the growth which was in force in the case of the other States. We have evidence of the views of Government in 1820. . . . I quote this to support my argument that the rights of the Native States to make a revenue out of opium were recognised in 1820, subject to the conditions that their system did not injure British finance, and in certain cases that special British rights acquired from the Peshwa were safeguarded. The State of Baroda got the benefit of its position in 1820, and it has retained its advantages in the engagement of 1878. . . . The rest of the Bombay States fared worse, because in their cases the paramount fiscal interests of the British Government and their special rights over opium could not be otherwise safeguarded." There could not be a more frank admission on the part of Government as to how the opium revenue of States, including Sangli, was sacrificed on the altar of the fiscal interests of British India.

Under its agreement this State cannot cultivate the poppy or manufacture opium, and it adopts the British system of passes, of purchases from a British depot, and of retail sale. Even under the present system certain Bombay States have been allowed to make purchases from Malwa and to obtain their supply entirely free of duty or at least at a reduced rate of duty, namely, two-thirds of the duty, and certain Bombay States have been compensated for the loss of transit duties. But the Sangli State has to pay four-fifths of the British pass-fee and cannot purchase its supply of opium either from Malwa or from another State. It has to be pointed out, too, that the cost price of opium consumed in Sangli is nearly three times that of what it would have to pay if it were at liberty to obtain its supplies from certain States. It is believed that the cost in some of the States to that in British India is as Rs. 7 or, at the most, Rs. 11 to Rs. 26 per seer. The State cannot participate in the opium trade and its profits, whatever they are.

It will thus be seen that if the Sangli State is not to be allowed to suffer any injury in consideration of the conditions prevailing at the introduction of the British supremacy after 1817, no pass fee should be imposed on it, and it should be held to be entitled to purchase the opium required by it at the lowest rates of cost price wherever available, and given a share of the profits of the Indian monopoly of the trade if there are any.

SAWANTWADI.

The poppy is not cultivated or grown in the State, and thus there is no production of opium. Moreover, the local consumption of the drug is extremely small. Hence, The Sawantwadi Durbar would refrain from expressing an opinion until the necessity therefor should arise.

AKALKOT.

The cultivation of poppy and the manufacture of opium are prohibited in the State, and an agreement has been entered into relating to the sale and consumption of opium in the State territory. The State desires that, in view of the large profits realised by the Government of India by the raising of the price of purchase of opium, the State should get a fair share of the profits now realised by the Government of India, and that in fairness to the State the execution of the agreement referred to should not come in the way of a satisfactory adjustment.

BHOR.

The Bhore State has bound itself by an agreement with the British Government, whereby manufacture of opium and the cultivation of poppy are prohibited in the State, as well as the State has to introduce opium laws and rules which are in force in British territory, and the opium required to be obtained from Government Depot at Poona at the cost price, plus duty of Rs. 5 per lb. The State in return has been given the advantage of the remission of one-tenth of the duty, viz.:—As. 8 per lb. at the financial adjustment of accounts (*vide* Aitchison's Treaties, Vol. VII, Edition III, Agreement No. LVII of 1880, page 149). The British Government thus derives a profit of Rs. 4-8-0 per lb. on account of duty. In consideration of the consent given by the State to purchase its opium requirements from Government, it is suggested that the profit derived from the duty should be given up by Government and paid to the State. There is another point which recently cropped up. The cost price of opium is first provisionally settled by Government, and if the actual cost price is ultimately found to be less, refund in the amount of price is given to the State. Such refunds were until now sanctioned by the Government of India from the same date in the case of Indian States and Local Governments. Recently the Political Agent has informed the State that a later date will be applicable for reduced rate in the case of the Indian States than in the case of Local Governments. This is inequitable and a protest has been made about this by the Durbar. It is requested that such a distinction should not exist and should be removed as soon as possible.

PHALTAN.

This State does wish to do so. Government do not seem to have paid much attention to the interests of the States in framing their opium policy. This State has undertaken not to cultivate poppy. But the practical compulsion to the States to buy their supplies of opium from Government depot alone has been causing much loss to them and their subjects. Government get very large profits amounting to several thousands per chest. Therefore, it is earnestly requested that the

Government of India will be pleased, either to allow the purchase of opium by this State from other sources and remove or considerably reduce the duty, or make this State a sharer in their large profits, to which this State believes itself to be rightfully entitled.

MIRAJ (Senior).

There is now neither the poppy cultivation nor the manufacture of opium in my State. The old cultivation of poppy and manufacture of opium have been suppressed by an Agreement of Convention (*vide* Aitchison's Treaties, Volume VII). Its import and sale are managed by Government under the Convention. The rules of Convention have been accepted by the State. Opium is sold to the State at cost price from the Government depot. It is sold in the State with a certain margin for it. That is the present arrangement; that may continue.

Any regulations that the League of Nations and the British Government in their joint deliberations may decide on would be accepted by my State for the good of the world. There will be no difficulty on the subject.

MIRAJ (Junior).

The opium policy of the Government of India in the past has paid no great attention to the interests of the States. All that can, at present, be said on behalf of this State is that Government should not charge more than the cost price which they have to pay. All facilities granted in British India for the medicinal use of opium and its preparations may also be granted to this State for the same purpose.

JAMKHANDI RAMDURG.

The Government have by a Treaty concluded with our States in the year 1881 required us to completely prohibit the cultivation of poppy and the manufacture of opium. We are thus deprived of a considerable source of revenue. The Government on the other hand has been making profits out of this monopoly of opium. We, therefore, submit that we are entitled to a share of this profit from this source of revenue.

SAVANUR.

Auction sale of opium is held by this State, but opium is purchased through the British Government. A fee of rupees ten, per seer of opium sale, is levied from this State by the British Government, as pass fee, besides its cost price, and a pass is issued for transport of one seer of opium. Pass fees or a fair percentage of them may be paid to this State.

KURUNDWAD (Senior).

This State has been deprived of a considerable source of revenue by prohibiting the cultivation of poppy and the manufacture of opium, by a treaty concluded in the year 1881. I, therefore, submit that this State is entitled to a fair share in the huge profits the British Government have been making out of this monopoly of opium.

VADIA.**VIRPUR.**

The State claims that it should be allowed to grow and manufacture opium and export it, subject to ordinary taxation in the area of consumption, and requests that it should be given the benefit of any general scheme that may be formed in the interests of the States, as a result of the recommendations made by the Committee after dealing fully with the matter in all its aspects.

LAKHTAR.

The State does not desire to bring forward any questions in this connection but it submits that it is undesirable that any prohibition should exist against its cultivation, manufacture and export, or even its import, and requests that it should be given the benefit of any general scheme that may be framed in the interests of all the States of India, as a result of the recommendations made by the Committee after dealing fully with the matter in all its aspects.

THARAD.

For the last five years Government of India have had, under special agreement, opium grown in certain States for purchase by themselves. The purchase price at present is reported to be Rs. 15 there, but Rs. 23.5.0 a seer are being charged for the opium required by the State depot. The latter rate is higher and therefore in fairness it may be reduced to Rs. 15 a seer.

Since the 1st April, 1927, the lesser States experience another difficulty. Opium is being issued for the use of the depot of this State at the issue rate, viz., Rs. 75 per seer (the difference between the cost price and this sum being refunded at the end of the year). The Palanpur and Radhanpur States (First Class States) which are getting opium from the Banas Kantha Treasury are yet being supplied opium at the cost price, i.e., Rs. 23.5.0 a seer. The cause of this incongruity is not understood. According to the Agreement of 1879 and the subsequent promises made by Government, this State is entitled to receive opium from the opium depot at Palanpur at the cost price only. As the practice referred to affects the financial position of the State, it is requested that the orders of 1927 and 1928 may kindly be withdrawn and the dissimilarity in treatment removed.

BHADARWA.

In olden days when there was no check over manufacture and sale of opium, the dealers in opium of this State and those of neighbouring villages as well, imported opium in a large quantity into this territory from Ratlam side. At that time a decent margin in profit accrued to the State in shape of State taxes, etc. When Government happened to put a check over this commerce, this State was called upon to enter into an agreement with the Government, which was done in 1882 A.D. under instructions from Government. Whereupon the State was allotted Rs. 5 per seer by way of duty on sale of opium. This continued for a considerable period during which Government gradually increased the value of opium, but the duty to be given to this State remained constant. On raising a protest under such state of things against the meagre amount given to this State, Government were pleased to listen to our grievance which was at last redressed in the year 1925. The order had a retrospective effect, i.e., we were given the difference between the original duty (Rs. 5) and the increased value in the sale proceeds of opium from the year 1915-16 up to the present day.

We have now to request Your Honour to move the Government for giving us our old arrears from the date on which Government took control over the manufacture, etc., of opium, i.e., from the date of agreement passed in 1882 up to 1914-15.

Regarding Liquor.

The State is given some compensation which, it seems to me, is inadequate. The guiding principle in awarding compensation in liquor ought to be such that Government may take over the control of manufacture and sale of liquor for better uniform and systematic administration and with a view that Government should not suffer in Excise Revenue, but Imperial Government may not derive profit from liquor shops in Native States. Government is, in my opinion, entitled to receive only what are termed management expenses.

BONAI.

The opium policy of the Government of India in the past has paid no attention to the interests of the States. Apart from past injustice, this State at present objects to the concentration of the production of opium, ganja and bhang in British India only, and to the system under which it is compelled to obtain its supplies of opium, ganja and bhang for domestic consumption from the British India store at Sambalpur. This State also claims the duties on opium, ganja and bhang obtained for domestic consumption within the State, of which it is at present unjustly deprived. The State submits that it has the undoubted right of obtaining these drugs from British India at cost price only. In general this State asks for the recognition of the principle that duty follows consumption and that its interests should not be sacrificed to those of Provincial Revenues.

PIPLODA.

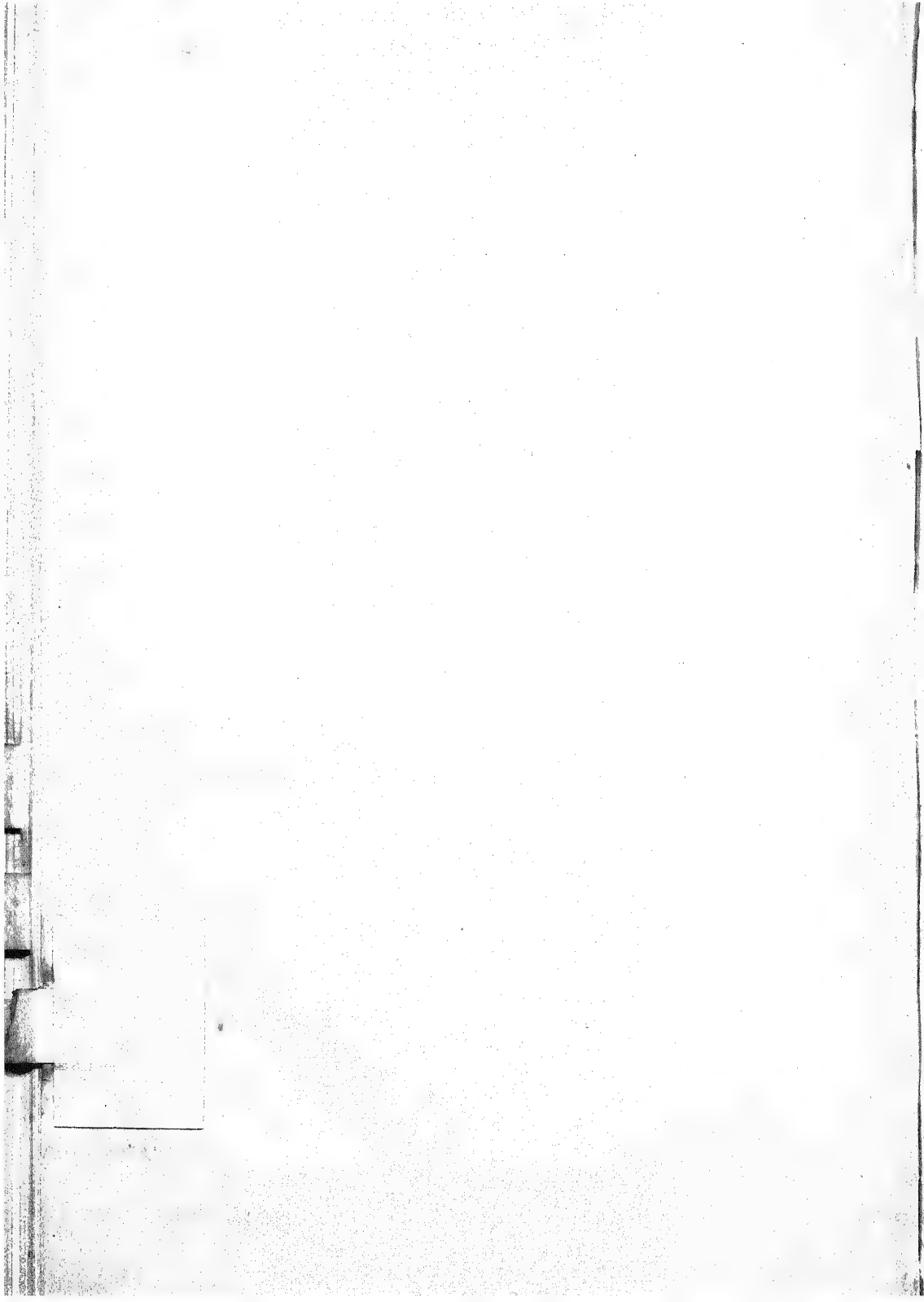
The opium-growing States have suffered heavily financially by the stoppage of the cultivation of opium. The whole question requires to be revised, and the *status quo ante* restored. Some States have been allowed to cultivate opium to a certain extent whereas others have been denied the privilege. China, if the report is correct, have not stopped the cultivation of opium. It is not definitely ascertainable how the profits made by the Imperial Revenues by taxing opium which is still exported to China compare with the old figures. It is hoped that some satisfactory solution of the difficulties would be found, and the losses which the States are undergoing put a stop to.

DUJANA.

Nothing to say, though poppy used to be cultivated in the State Ilaqa before it was prohibited.

SECTION X

EXCISE



EXCISE

Summary of Replies Received

To Paragraph 14 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

Extract from the Questionnaire issued by the Indian States Committee.

EXCISE.

14. Do the States desire to bring forward any questions in connection with Excise?

HYDERABAD.

It is an axiom of inter-territorial finance that duty follows consumption, but this principle is not being followed in the levy by the Government of India of excise duties on articles which in the ordinary course of trade find their way into Hyderabad for consumption. Outstanding examples of this are the duties on petrol and salt. Further, there is a proposal now being canvassed to impose a cess on petrol and to apply the proceeds to the improvement of road communications in British India. In the case of salt, the Hyderabad Government went out of its way (*vide* letter No. 917 dated the 29th March, 1875, p. 123, Aitchison's Treaties) to assist the Government of India in the administration of their salt revenues by forbidding the export of salt from the Dominions. Yet the Government of India continue to levy a heavy tax on salt consumed by the people of Hyderabad, where none is now manufactured. The average annual consumption of salt in the Dominions is 1,700,000 maunds, which with duty at Re. 1-4-0 a maund means a contribution of over 22 lakhs; while the tax on petrol involves another 1½ lakhs. And on a smaller scale Hyderabad revenues are affected by the excising in British India of beer, rectified spirit, tinctures and the like, where such articles are destined for consumption in Hyderabad.

His Exalted Highness' Government desires that it should be recognised in principle that all such articles as are excised in British India are entitled to enter the Dominions excise duty free, it being left to them, with due regard to the interests of British India, to impose excise duties or not, in accordance with the needs of Hyderabad. Whether it would be convenient to follow the method of collection of duty in British India, with a subsequent allocation to Hyderabad of such revenue, depends on the circumstances of each case: but His Exalted Highness' Government desires to make it clear that the rates of duty imposed in British India might not be in accordance with the general or industrial interests of Hyderabad, and that it would not therefore fully meet the case if the rates of duty were to be determined by the Government of India, the proceeds being subsequently paid over.

BARODA.

The State has assimilated its excise administration with that obtaining in the adjoining British districts of the Bombay Presidency. The State should be consulted before making any changes in the existing arrangements.

MYSORE.

The arrangements regarding foreign liquor and locally made "foreign" liquor are not altogether satisfactory. It is to be hoped that the Government of India will take this matter in hand generally, and will apply to the States whatever policy they apply to the Provinces. As regards toddy, there is a long-standing mutual agreement

between Mysore and Madras, which has worked satisfactorily during the past 30 years. It might be a good thing to have a similar arrangement with Bombay.

INDORE.

The State would ask for the application of the principle that duty follows consumption, and that therefore whatever excisable articles are consumed in the Holkar State, should pay duty to it and not to any British Administration.

TRAVANCORE.

See reply under Question 13 regarding Opium.

JODHPUR.

Charas.

(1) All charas consumed in the Jodhpur State is imported from Hoshiarpur in the Punjab.

(2) The following table gives a concise statement of consumption and duties levied:—

Year.				Average Imports.	Government Duty.	Local Duty.
1917-18	...	...	...	20 Mds.	Rs. 18/- per sr.	Rs. 30/- per Md.
1918-19	...	...	...			" "
1919-20	...	...	...			" "
1920-21	...	...	...			" "
1921-22	...	...	...	10 Mds.	24/-	480/-
1922-23	...	...	...		30/-	" "
1923-24	...	...	...		40/-	" "
1924-25	...	...	...		60/-	" "
1925-26	...	...	...	9 Mds.	" "	" "
1926-27	...	...	...		" "	Rs. 160/- [†]

* Rebate of Rs. 6/16 per seer granted to contractor.

† Rebate granted of Rs. 20/- per seer to contractor.

‡ No rebate granted but local duty reduced.

The local duty was raised with the object of restricting consumption.

(3) As Yarkand is practically the only source of supply, and supplies find their way to the Punjab warehouse at Hoshiarpur, the Punjab Government is able to make the State pay the full duty on all supplies drawn from there. The duty is now so high that little can be obtained from local duties.

(4) The States which were in political relations with the Bombay Government were allowed to draw their supplies of the drug from Provincial warehouses on payment of the Government Duty, but 13/14ths of it was refunded to them by the Provincial Government. In other words, those States were privileged to obtain their supplies like Provincial governments practically on payment of warehouse charges. So far as we are aware, those States which are now in political relations with the Supreme government still enjoy this privilege.

(5) The Jodhpur State claims that the States of Rajputana should enjoy the same privilege. Either, they should be allowed to draw their supplies from Hoshiarpur on payment of 1/14th of the duty or such other proportion as may be reasonable, or, a warehouse may be established or the existing warehouse at Ajmer enlarged and the States permitted to draw their supplies from there on payment of such proportion.

(6) So far as is known, the duty now paid at Hoshiarpur goes to the Punjab Government and has not even the merit of being a contribution to Imperial revenues. Assuming, that Charas can bear a duty, in all, of Rs. 50/- a seer, the State is losing a potential revenue of some Rs. 20,000/- a year, and has lost several lakhs during the currency of the present arrangements.

Ganja.

Most, if not all, the Ganja consumed in the Jodhpur State is, at present, obtained from Sanawar in Indore, the supplies being under the control of the Excise Commissioner for Central India. The following table gives a concise statement of the consumption and duties levied:—

Year.				Average Consumption.	Government Duty.	Local Duty.
1917-18	...	...	...	54 Mds.	Rs. 15/- per Md.	Rs. 20/- per Md.
1918-19	...	...	...		" "	"
1919-20	...	...	...		" "	40/- per Md.
1920-21	...	...	...		" "	"
1921-22	...	...	...	80 Mds.	" "	"
1922-23	...	...	...		" "	"
1923-24	...	...	...		Rs. 25/- per Md.	80/- per Md.
1924-25	...	...	...		" "	"
1925-26	...	...	...	73 Mds.	" "	"
1926-27	...	...	...		" "	200/- per Md.

The duty is not very high and probably the present increased local duty will not affect consumption much. It is likely that the increase in consumption in the triennium 1920-21 to 1922-23 was due to a diminution in the supplies of Charas owing to the increase in duties on that drug. Assuming, however, that the duty or most of it now paid on export at Sanawar is rightly realisable by the State, a loss of some Rs. 2,000/- of potential revenue is incurred every year.

Bhang.

Supplies are obtained partly from the Punjab and partly from local sources. The duty is low and no great sum is at present involved. But the same arrangement might be enforced for Bhang as for Charas and Ganja.

BANSWARA.

I am suggesting to the Standing Committee of the Chamber of Princes that they may kindly include Banswara's case.

JAISALMIR.

Opium is almost the only intoxicant used by people in general; consumption of spirituous drugs is extremely small; use of bhang and ganja is very rare; and such deleterious preparations as charas, heroine, cocaine, &c., are unknown.

The Durbar think that it would be but fair if no duty is charged, at British Indian ports, on spirituous and other drugs required for medicinal purposes, and on spirits and wines required for the use of their subjects, within their territory, and imported from abroad. (*Vide*, in this connection, reply to Question 5 (a), (b), (c), (d).)

PARTABGARH.

No British district adjoins the State. No difficulty is experienced in Excise matters with the neighbouring States.

COOCH BEHAR.

The Regency Council do not desire at present to bring forward any questions in connection with opium and Excise.

DHRANGADHRA.**MULI.**

In general, in Excise matters, the States ask for the application of the principle that duty follows consumption; and that their interests should not be sacrificed to the interests of provincial revenues.

JUNAGADH.

The Excise administration in British India affects Junagadh State in some ways. Bhang, ganja and country liquor are produced locally and taxed by the State. Tobacco, which is imported from British India, is not taxed in British India and the State recovers a substantial sum from the licence to sell. In the case of charas, which is produced in the Punjab, the British Government levy a duty of Rs. 20 per lb. and leaves the State to add to the total cost, including this British duty, such surcharge as they like. If the principle of Excise is that duty follows consumption, this arrangement offends it. If any general principle is enunciated, Junagadh State should receive the benefit of the operation of such a principle.

TRIPURA.

BARWANI.

MIRAJ (Junior).

In general, the States ask for the application of the principle that duty follows consumption; and that their interests should not be sacrificed to the interests of provincial revenues.

PUDUKKOTTAI.

On the principle that duty follows consumption, the State would claim a share on all articles which are taxed in British India and which are consumed in the State. The share that should in justice be paid to the State can only be in proportion to the extent of her population, as that is the only basis on which calculation can be easily made, and it is not also inequitable.

SAMTHAR.

The State concurs with the views and the case submitted by the Standing Committee of the Princes.

BANSDA.

(1) The Excise duties should be refunded to the States whose subjects consume the excisable articles.

(2) Where a small State is bounded on any side or sides by a large Provincial Government, the introduction of shopless zones puts the State to a loss greater in proportion to the area of the two territories. The zones, if to be continued, should be in the same proportion as their respective areas, instead of being equal.

(3) The restriction imposed on Indian States in levying lower rates of Excise duties than are prevailing in the neighbouring British territory should be removed.

(4) When duties are to be lowered in British India, consent of the States to be affected thereby should be taken in case the suggestion made in (3) above is not adopted.

(5) Duties on spirits and imported liquors collected in British India should be refunded to Indian States which import them for local consumption.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

Inasmuch as the consumption takes place in the State, no revenue should be allowed to be realised by the Provincial Government over it.

RAJKOT.

Spirits and pharmaceutical drugs, manufactured in Indian States, are subjected to a duty, as these substances are considered foreign when entering British India. States would like the Government to abolish such duties which are too heavy and do not give a chance to States to develop such minor industries. The intention of the States is to get a resolution passed by the States in the Chamber, and to be submitted to the Viceroy for favourable consideration.

SACHIN.

1. The Excise duties should be refunded to the State whose subjects consume the excisable articles.

2. In the case when the Local or Imperial Government insist on controlling the supervision and output of liquor in the States the arrangement should be of a strictly reciprocal and mutual nature and not solely to the advantage of Government alone.

SANGLI.

The State has been leasing its Abkari revenue to the British Government since the 1st August, 1881, when the Government considered it desirable to place the administration of the Abkari revenue of the

State on the same footing as the administration of Abkari revenue of the British Collectorates adjoining the State, with a view to preventing injury to the Abkari revenue of the Collectorates by illicit manufacture of liquor or by the smuggling of liquor into them. The State has agreed to adopt suitable Abkari laws and rules—it has actually adopted the Bombay Abkari Act as far as possible, to prevent injury to the Abkari revenue of the adjoining Collectorates.

Government have been pleased to agree that their officers should consult the State authorities regarding the details of Abkari administration, such as the number and the position of liquor shops, the persons to receive retail licences and the like, and consider the wishes of the State on such points. The officers, however, do not only not so consult the State authorities but in cases have refused to accede to reasonable requests of the Durbar, e.g., the way in which State shops were to be given and to whom. The keeping of separate Abkari accounts of the State and furnishing them annually to it for its information is a condition of the Abkari Agreements. Accounts have, however, not been furnished on various occasions.

The Bombay Government have adopted a policy of prohibition, which means the sure extinction of the Abkari revenue. It has already resulted in the application of the rationing system to certain shops in the State without its consent, and consequent loss of revenue. The State prays that Government may be pleased to manage the farm without giving effect to any of their policies within the territory of the State without its consent, and so as not to allow the financial interest of the State to suffer in any way.

The State has farmed its Abkari revenue to the British Government since 1881. This has been in deference to the wishes of that Government that the administration of the Abkari revenue of the State should be placed on the same footing as the administration of Abkari revenue of the British Collectorates adjoining the State. The State has accordingly all along adopted suitable Abkari rules with a view of preventing injury to the Abkari revenue of the Collectorates by illicit manufacture of liquor or by the smuggling of it from the State territory into the Collectorates. In spite of the agreement that the Abkari revenue of the State should not suffer, the shops in the State have been persistently given at specially reduced rates and on low fixed fees instead of being given by open auction which would have fetched much higher rates. The requests of the Durbar in this respect have been several times ignored or refused, causing serious losses to the State annually for a series of years. As the British Government have been managing the Abkari revenue of the State for a long period of over 46 years, it has lost touch with the details of the Abkari administration. It is not aware of the state of its Abkari affairs as ascertainable from accounts kept from day to day, as no such accounts have been furnished to it. Even orders passed by Government or the Excise Commissioner laying down common Abkari policies are not supplied to the Durbar in spite of their request, and a copy of the Excise Manual, Part II, which sets forth the policies for the guidance of officers, has not been supplied to the Durbar although they asked for the same. The State is thus quite in the dark about its Abkari matters and is in a state of complete dependence on Government for the future management of its Abkari revenue.

SAWANTWADI.

The State makes its own Abkari arrangements, which are based on those prevalent in the Bombay Presidency.

**WANKANER.
WADHWAN.
KOTDA SANGANI.**

**SAYLA.
THANADEOLI.
MALIA.**

In general, in Excise matters, this State asks for the application of the principle that duty follows consumption; and that its interests should not be sacrificed to the interests of provincial revenues. The sale of anything prohibited in my State should be prohibited in railway limits within my State.

BHOR.

The Abkari administration of the State is leased to British Government which has been now thinking of following the policy of prohibition by adopting rationing system. This will affect the financial interests of the State. It is urged that prohibition should not be resorted to unless ways and means are found to make up the contingent loss by other methods.

PHALTAN.

The Abkari administration was given over to the British Government with great reluctance by the late Chief in the year 1879, for a period of five years in the first instance, and then the leases were extended from time to time.

This arrangement by which the Abkari administration in the State is leased out to the British Indian Government has affected adversely the interests of this State and is likely to prove more harmful in the future. The changes in the policy of Government are likely to cause loss to the State which it is hardly in a position to bear. It is also requested that the general rule that duty follows consumption should be applied in this case and that the interests of this State should not in any way be subordinated to the interests of British India. The most desirable course in the opinion of this Durbar is to restore to this State its Abkari management.

MIRAJ (Senior).

This includes manufacture, import, transport and export, as well as the possession and sale of liquors of all sorts including toddy, as well as of intoxicating drugs. Foreign liquor is included. In this case also Agreements of Convention (*vide* Aitchison's Treaties, Vol. VII) have been passed between my State and Government. The revenues

of my State have been farmed out to Government on the basis of an average figure of income for a definite period. This recognises the State rights; the arrangement in force is convenient both to Government and to my State. There is a uniform system of control. Smuggling and illicit manufacture and sale are well prevented. Prices are equalised. There is nothing unfair involving any loss of revenue to the State. No difficulties prevail.

There is a minor complaint, but of importance. It is felt often. There is want of tact on the part of the Government supervising and preventing staff. Some of the officers arrogate to themselves an attitude of superiority. Little respect is paid to the local authorities, though they ought to know that they are managing the State revenues and should act in full co-operation and with all respect for local State authorities. A few instructions from Government will remove this cause for complaint.

JAMKHANDI.

RAMDURG.

With regard to Excise, we have made detailed suggestions in our statement about the first term of reference. Our general request is that we should be allowed to manage the Abkari revenue and should not be required to farm the same to the British Government. The system of farming of Abkari revenue to the British Government is proving detrimental to our interest.

SAVANUR.

Ganja.—The State's right over ganja (hemp drug) is leased to the British Government for 10 years and the amount agreed is received every year. The details of hemp drug revenue are not communicated to this State. I request Government that no distinction need be made between the ganja revenue and that of country liquor and toddy.

The Abkari revenue (country liquor and toddy) is now leased to Government.

Since the reforms, this is a transferred subject. An Indian Minister is in charge of the Department, and I presume, in Abkari policy, he is guided by the opinion of few members of the local Council. When the Abkari Agreement was entered into between the Government and this State, there was no question that the policy would change and this State should bind itself to follow the policy required by members of Legislative Councils. Financially, this State will suffer if the policy followed in British India is made applicable to Native States. I am not against prohibition, but when it is a question of agreement and no mention has been made of change of policy, I hope I may be pardoned if I say that I do not think it is fair on the part of Ministers to make Native States follow the policy they wish to adopt in British India.

KURUNDWAD (Senior).

With regard to Excise, I have made along with other Princes a detailed suggestion in the joint statement about the first term of reference. My request is that this State should be allowed to manage the Abkari revenue and should not be required to farm the same to the British Government, as the system of farming is proved to be highly prejudicial to the interest of the State.

THARAD.

The State is of opinion that the principle "Duty follows consumption" may be applied.

BHADARWA.

See reply to Question 13 regarding Opium.

SERAIKELLA.

In general this State asks for the application of the principle that duty follows consumption, and that their interests should not be sacrificed to the interests of provincial revenues.

This State claims the duties on opium, ganja and bhang that are intended for the domestic consumption in this State, only paying the cost price of these things.

This State also objects to the concentration of the production of opium, ganja and bhang in British India, and to the system under which it is proposed to compel them to obtain their supplies of these things from the British Indian territory alone.

This State also objects to the establishment of two liquor shops at Jemshedpur and Jugsalie, 2 miles off the border of this State, in contravention of the rule that neither the British Government nor any native State would establish any liquor shop within 3 miles of their respective boundaries.

KHARSAWAN.**GANGPUR.**

In general this State asks for the application of the principle that duties follow consumption and that their interests should not be sacrificed to the interests of the provincial revenues.

This State claims the duties on opium, ganja and bhang that are intended for the domestic consumption in this State, only paying the cost price of these things.

This State also objects to the concentration of the production of opium, ganja and bhang in British India, and to the system under which it is proposed to compel them to obtain their supplies of these things from the British Indian territory alone.

BONAI.

See reply to Question 13 regarding Opium.

PIPLODA.

The right of the States to administer their Excise unrestricted by any conditions should be authoritatively affirmed. The old custom of distilling special liquor for marriages, feasts, &c., and for personal use of the Chief's family, should be maintained.

The States should be given a share of the profits made by the Imperial Revenues by taxing excisable articles consumed by the people of the States.

DUJANA.

The officials of the Rohtak District exercise control of the Excise administration of the State on behalf of the British Government in consideration of a lease for 10 years from 1st April, 1924, for Rs. 2,000 a year. For the present the terms are satisfactory.

**BHAVNAGAR.
VADIA.**

**VIRPUR.
LAKHTAR.**

These States indicated that they had no suggestion to make on this subject except that the sale of anything prohibited in the States shall also be prohibited in the railway limits within them.

**RAMPUR.
JHALAWAR.
CAMBAY.**

**MORVI.
RADHANPUR.**

These States indicated that they had no suggestions to offer.



SECTION XI

GENERAL

FOR OFFICIAL USE

GENERAL

Summary of Replies Received

To Paragraph 15 of the Questionnaire

ISSUED BY THE

INDIAN STATES COMMITTEE

1928

*Extract from the Questionnaire issued by the Indian States
Committee.*

GENERAL.

15. Do the States desire to bring forward any other questions, *vide* paragraph 4 above (copy below)?

4. The questionnaire, therefore, deals with the second part of the instructions only. As the Indian States have not yet placed before the Committee the questions which they wish to bring forward, this questionnaire is based upon the records of the Political Department in so far as they relate to matters that have recently come under notice or discussion. Other questions than those covered by the questionnaire may therefore be raised by the States. The Committee are anxious that every opportunity should be given to the States to place their views before them in so far as they are covered by the terms of reference.

HYDERABAD.

(1) *Construction and Control of Railways.*

In the course of the discussion regarding the cession of jurisdiction over the Kazipett-Bellarshah Railway, the Nizam's Government was furnished with a copy of the Government of India Foreign and Political Department's Resolution No. 2,024, of the 6th December, 1923, defining the general policy of the Imperial Government with regard to railway construction in Indian States. This resolution, be it noted, was forwarded to His Exalted Highness' Government not only for its information but also for its guidance about three years after it had been issued, without any previous consultation on the subject. The Nizam's Government proposes to reply to that communication fully in a separate letter. Its views may for the present be outlined as follows:—

- (a) That with regard to the construction of strategic lines, the Nizam's Government should, if any of the existing lines are put thereby to any loss, be given credit for that loss, if not in cash at least as a contribution made by the Hyderabad State towards Imperial defence.
- (b) That with regard to non-strategical lines passing through the Nizam's Dominions, the Hyderabad Government should have a controlling voice in the matter of their construction, alignment, etc., and
- (c) That with regard to their standard of maintenance, materials and equipment, the regulations of the Government of India should apply only so far as they are necessary to ensure the safety of the travelling public.
- (d) That with regard to such lines as have a portion passing through the Dominions (like the G.I.P. and the M. & S.M.) the Hyderabad Government should be allowed to own, or at least to share with the British Indian Government the surplus profits earned on, the portion so passing through the Hyderabad territory, the more so when the land for these portions has been given free of all charges by the Nizam's Government.
- (e) That with regard to purely internal lines, the Nizam's Government should have entire discretion in the matter of maxima rates and also with regard to minima rates if these are not quoted so as to compete unfairly with foreign railways.
- (f) That in any question where there is a difference between the Nizam's Government and the Railway Board, a tribunal consisting of representatives of the two sides and a President co-opted by both sides should be constituted before any final decision is reached by the Government of India.

(2) *Stamps in Railway and Administered Areas.*

In 1887 His late Highness unwillingly conceded to the Government of India full criminal and civil jurisdiction over railway lands and premises within the State, and two British Acts, viz., the Railway and

Telegraph Acts were applied to these lands, after obtaining the Nizam's sanction (*vide* Residency Notification No. 90, dated 16th October, 1874, copy enclosed).

In a letter dated 30th April, 1887 (copy enclosed) His Highness' Government was informed by the Resident that the application of any further Acts would require proclamation by His Highness' Government.

In 1900 the Government of India demanded full and exclusive power and jurisdiction of every kind over railway lands. This also was conceded, though still more unwillingly, and it was provided *inter alia* that the officials of His Highness' Government should continue to realise excise and customs revenue on the railway lines as before.

In Residency letter No. 524 dated 9th March, 1900 (copy enclosed) it was explicitly stated that the object of this provision was to maintain the current usage in regard to fiscal matters.

This clearly shows that it was never intended that His Exalted Highness' powers in respect of revenue and taxation should in any way be diminished. But in spite of this, the Indian Stamps Act was at once made applicable to railway lands within the State without obtaining the consent of His Exalted Highness' Government. Since fiscal or revenue jurisdiction has not been delegated, His Exalted Highness' Government feels that it is fully justified in raising the question of its right to stamp jurisdiction over railway lands.

It also desires to point out that the application of any Acts (except the Railway and Telegraphs Acts) within Railway areas without the express consent of His Exalted Highness' Government would be inconsistent with the assurance referred to above.

His Exalted Highness' Government is also put to considerable economic loss in the matter of their Hundi stamp revenue partly on account of deliberate evasion of the law and partly on account of the superior advantages in the Residency limits. In the case of bills relating to external trade, under the present system, if merchants comply fully with the law in force they would be compelled to stamp their documents twice over, once in British India and once in Hyderabad territory. To remove this grievance the same mutual arrangement may be adopted as exists between the Government of India and Mysore, and under which each Government recognises the stamps of the other. At present bills drawn in the areas under Residency Jurisdiction and stamped with the Residency stamp can be negotiated in British India without the addition of a British Indian stamp. Further, bills drawn in British India and stamped with a British Indian stamp can be negotiated in the Hyderabad Residency Bazaars without the addition of a Hyderabad Residency Stamp. The Residency and the British Indian stamps are mutually interchangeable. Thus, under the present practice one stamp suffices for transactions between the Residency areas and British India, while two stamps are required where the transaction is between British India and State territory under the Nizam's jurisdiction. Naturally enough, merchants who do not wish to absolutely evade the stamp duty conduct their business in Residency areas to the detriment of the stamp revenue of the Hyderabad State. This tendency is further encouraged by the fact that the Residency Bazaar stamps, which are supplied gratis by the

State Stamp Dépôt, are accepted throughout the Dominions while the State stamps are not accepted within the Residency jurisdiction. As a solution of this unfair and one-sided arrangement the Hyderabad State stamps should be given the same status as Hyderabad Residency stamps.

ANNEXURES TO QUESTION XV (2).

Hyderabad—Residency.

16th October, 1874.

No. 90.

The following translation of a Notification issued by His Highness the Nizam's Government is published for general information:—

NOTIFICATION.

26th June, 1873.

With reference to a communication received from the Resident of Hyderabad No. 733, dated 22nd March, 1873, and its reply No. 1981 of this date, hereto annexed, it is hereby notified that, whereas the administration of His Highness' State Railways will in all respects be conducted by the aforesaid officer on the part of His Highness' Government, and whereas the general supervision of the administrative and judicial arrangements connected with that portion of the Great Indian Peninsula Railway which traverses His Highness' territory, is also vested in that officer, and whereas it is indispensable for the due administration of the Railways in question that certain Acts passed by the Government of India should be practically applied to them, and whereas such Acts cannot be so applied in this country save under the special sanction of His Highness' Government: it is hereby declared that the provisions of the (Railway) Act of 1854, and other Acts in amendment or amplification thereof, which are actually now in force or may hereafter be enacted, shall be carried out and conformed to in the administration of the Railways above referred to; and further, inasmuch as it is necessary to grant the requisite powers for giving effect to the provisions of the aforesaid Acts in this country and with reference to the fact that the executive authority over His Highness' State Railways has been vested in the Resident, by the terms of the Agreement concluded between the two Governments, whereby he is constituted the delegate of this Government, the powers of a Local Government are also hereby conferred on that officer in special reference to His Highness' territory, in order that no obstruction may exist to the proper and efficient administration of the Railways in His Highness' territory.

With reference to the above, the provisions of Acts XVIII of 1854, and XXV of 1871, are hereby declared to be applicable to His Highness the Nizam's State Railways from and after the 8th instant.

(By Order),

W. TWEEDIE, Major,
First Assistant Resident.

The Residency, Hyderabad,
30th April, 1887.

My Dear Marshall,

I return you the draft letter which His Highness asked you to send to me for some expression of my opinion before he affixed his signature to it. And I have to thank him for having followed this course in the present instance, because, though I am far from wishing ever to interfere in the determination of his mind on a point at issue between himself and the British Government, yet I am confident that, in this case, my having seen this letter first is likely to prevent some misapprehension and a consequent lengthening of the correspondence.

More than one fallacy appears to me to underlie the tone of the whole letter. If His Highness will turn to my letter of the 25th ultimo, he will see that the British Government has never asked that "a fiat should go forth transferring the land and premises occupied by 408 miles of Railway" to themselves. They have done nothing of the sort! they have not asked for the cession of any territory; and if the line of the Railway were, by any accident, diverted from its present course, their interest in both land and premises entirely cease.

Secondly, there is no real distinction between Hyderabad and the other States who have complied with the very simple request which I have conveyed to His Highness. Every Railway runs through some Jagirs as well as some Khalsa lands, and the Thakores of Rajputana hold a much more independent position towards their Rajas than the Nawabs of this State towards their Nizam. Moreover, all these Jagirdars have, for the past 20 years, been witnesses of the management of all Railway cases and police by a British officer under the direct orders of the Resident; and the system now proposed is practically precisely the same as has been in force all that time.

I must also traverse the opinion expressed in the draft before me that the Railway is now really unpopular. Its extension was, it is true, opposed, because it was falsely believed and reported that it was certain to be a heavy burden to the finances of the State. This objection has been thoroughly disproved, largely owing to the exertions and the well-remunerated financial skill of His Highness' Home Secretary. But the benefits, therefore, of so numerous and various descriptions, which flow from the construction of a Railway, whether through State lands or private estates, can now be appreciated and enjoyed without any drawback from considerations of that kind. And the simple returns of traffic and passengers are sufficient to show that that appreciation is full and ample.

Fourthly, and lastly, I am sure that His Highness will hesitate before he approves, by his signature, of the assertion that the grant of the means for carrying on a small piece of administration in a more legal and efficient mode than has hitherto been found possible, can possibly be viewed as a "commencement of annexation of large tracts in His Highness' Dominions" by the English Government.

The difficulties raised in this letter, therefore, appear to me to be quite void of any good foundation. Under any circumstances, the Police and Railway Magistrates are to work under the Resident.

The writer of this draft proposes that the Resident should have the powers of a Local Government granted to him by His Highness. His Excellency the Viceroy in Council says that a more simple mode of meeting the difficulty will be for His Highness to delegate to the British Government the Criminal and Civil jurisdiction along the line. Their reason for thinking this is that the introduction of the needful Acts and machinery will thus be facilitated. But they would be quite willing to consent that, in all orders passed on such subjects, the preamble should contain the acknowledgment that they are issued "in virtue of the powers proclaimed by His Highness" on such or such a date on which they may be granted.

I hope that this letter will serve to "clear the air" a little about what really is only a matter of administrative convenience, and is absolutely free of any such far reaching consequences or designs as the draft letter would seem to prognosticate from it.

Yours very sincerely,
J. G. CORDERY.

III.

No. 524.

The Residency, Hyderabad,
9th March, 1900.

My Dear Nawab,

I am desired to reply to your letter No. 1,333, dated the 6th September, 1899, regarding the nature and extent of the powers which the Government of India desire to obtain and exercise on railways in Hyderabad territory.

2. The Government of India regret that you should be under the impression that sufficient opportunity has not been offered to His Highness' Government to represent their views on the subjects of British jurisdiction on Railways in Hyderabad. Your letter under reply has had thorough consideration and the Government of India are sensible of the statesmanlike view which it has put forward. I am now to forward a draft which has been prepared of a form of cession which, as it follows in all essential particulars the lines suggested by you, will, it is hoped by the Government of India, be acceptable to His Highness' Government.

3. I am to explain that it is unnecessary and would be out of place to make any reference in the first reservation (which refers to the exemption of His Highness' officials and private servants from the operation of the jurisdiction to be ceded) to the provisions of the Extradition Act. If, by reason of the special reservations which it is now proposed to attach to the form of cession, the British Government are debarred from exercising jurisdiction in any particular case, it follows as a matter of course that they can then act on a railway line only in the same way and in the exercise of the same powers as elsewhere in the territories under the administration of the Government of His Highness.

4. Again, it would be equally out of place to say anything in the form of cession about the reservation suggested by you in regard to

feeder lines. In the case of isolated local lines of light gauge, which do not form a part of any line of communication passing beyond the limits of the State, the Government of India have always allowed jurisdiction to remain with the Native State concerned, and there is no intention of departing from this policy. I am to explain further that the fact of a feeder line running into a station of a through line does not render the acquisition of jurisdiction necessary when the feeder line is not of the same gauge as the through line and does not form a junction with it. For when the feeder line is of a different gauge, goods have to be unloaded for transference to the other line in the same manner as if they had been conveyed by carts. The circumstances, in which the necessity of bringing a local line under British jurisdiction has to be considered are, when the local line (1) is actually joined to a railway over which the British Government exercise jurisdiction (2) runs through or into British territory or the territory of any other native State as well as that of the State in which it originates. His Excellency the Viceroy and Governor-General is, I am to add, particularly desirous that the question of jurisdiction should not be held to be in any way an obstacle to the extension of the railway system in Hyderabad, which it will always be his object to encourage.

5. The only other points, in the draft form of cession to which attention need be paid are, I am to say (1) the definitions given of the officials of His Highness' Government and of the private servants of His Highness these have been added with a view to prevent the confusion which might arise from the claims of unauthorised persons to be acting in those capacities, and (2) the reservation made in regard to the realisation by officials of His Highness' Government of the Excise and Customs revenues on the railway lines over which jurisdiction is to be ceded—the object of this proviso is to maintain the current usage in regard to fiscal matters.

The Government of India hope that the form of cession as now modified will be readily accepted by His Highness' Government and that the vexed question of the exercise of British jurisdiction over railways in Hyderabad may now be finally laid to rest.

6. The Resident will be glad to be favoured with an early reply.

Yours sincerely,
E. W. BLACKESLEY.

The Nawab,
Sir Vikar-ul-Umra Bahadur, K.C.I.E.,
Hyderabad-Deccan.

(3) *Judicial Powers within the Administered Areas.*

According to the principle laid down by Lord Halsbury in 1897, in the Privy Council case *Yousufuddin v. King-Emperor* L.R. 24 1 A. 137, the Residency Courts cannot exercise powers greater than those actually ceded by the Nizam over the Administered Areas.

The civil powers actually ceded by the Nizam's Government in 1864 to be exercised by the Resident in the Administered Areas did not

include such powers as are exercised solely by the Darul Qaza Courts in the Nizam's State. The Nizam's Government therefore claims such jurisdiction for its Darul Qaza Court within the Administered Areas. The following remarks will make this position quite clear.

In November, 1864, Mr. Hastings Fraser, officiating First Assistant Resident of Hyderabad, sent a letter to His Highness' Minister, dated 4th, November, 1864, in which after referring to the previous Sanad (dated 10th July, 1861) a desire was expressed on behalf of the Governor-General to obtain due authority from the Nizam's Government for the establishment of a Magistrate's Court for criminal as well as for a certain class of civil cases. Paras. III, IV and the concluding portion of Part VII of the proposed Sanad sent by the Residency should be compared with the "Iqtidarnama" issued by the Nizam's Government (see Annexure I on which they are placed side by side). On the 3rd Jamadiul Akher 1281 Hijri (4th November, 1864,) immediately on receipt of the above Residency letter, His Highness issued a Farman (Iqtidarnama) Para. 2 of which recites the class of civil cases in which jurisdiction was ceded to the Residency Courts. It is slightly different in regard to the arrangement and phraseology from the draft of the proposed Sanad sent by the Residency, but as far as Civil Jurisdiction is concerned, it is a *verbatim* reproduction of the draft received from the Residency.

As regards the phraseology of the proposed Sanad, the Assistant Resident wrote as follows:—

"I therefore propose that you should issue a Sanad to the following purport but altered, of course, as you may think fit in regard to arrangement and phraseology."

A glance at this "Iqtidarnama" will suffice to show that the Nizam never ceded to the Residency Courts the jurisdiction to try cases in which questions of the following character arise amongst Muslims, and are governed purely by Muhummadan Law: inheritance, succession, dower, divorce, marriage, gift, trust, guardianship, custody of children, etc., which were triable exclusively by a State Court called "Darul Qaza."

It appears that for some years, the Residency Courts acted in accordance with the terms of the grant as embodied in the above Iqtidarnama, and that in appeal cases, a Judicial Officer of the Nizam's Court actually sat with the Resident or his First Assistant to decide appeals as contemplated both by the proposed Sanad and the Iqtidarnama. But gradually the Residency Courts began to extend their powers without any further grant from the Nizam's Government, with the result that a conflict in the exercise of powers arose between the Residency and the Darul Qaza Court, as appears from a number of cases, the facts of which need not be mentioned here.

The contention of the Nizam's Government is that, since no authority to hear and decide cases falling within the Muslim Canon Law was given to the Resident by the Sanad or Iqtidarnama issued at his suggestion, the Darul Qaza Court still retains its special jurisdiction over such matters in the Administered Areas.

The fact that the service of summons and execution of decrees of other Civil Courts of His Exalted Highness is done through the

Residency in pursuance of a reciprocal agreement adds further strength to the contention that direct jurisdiction of the Darul Qaza Court within the areas administered by the Resident was left intact.

On the other side it is asserted that usage and sufferance may be taken as the basis of the exercise of such powers by the Resident, and in support of this, nine cases have been cited by the Residency in letter No. 3,352 dated 8th October, 1927, in which the Residency Civil Courts have exercised jurisdiction in Muhammadan Law cases arising in those areas in the course of some 12 years. But in the absence of evidence to prove that this was done with the knowledge and acquiescence of the Nizam's Government the contention must fail.

"Consent may be expressed in various ways; by constant usage permitted and acquiesced in by the authorities of the State, active assent, or silent acquiescence where there must be full knowledge." (Dr. Lushington in the case of *Papayanni v. The Russian Steam Navigation Company*, the *Laconia*—2 Moore's Privy Council Cases, New Series, page 181).

It cannot be said that this condition of "full knowledge" of the other party has been fulfilled regarding the exercise of such jurisdiction by the Residency Courts.

On the other hand there is evidence to show that the Darul Qaza Court of Hyderabad has been exercising its special jurisdiction in the Administered Areas in matters ruled by the Muhammadan Canon Law, and that the execution of its decrees has been going on there during the past 56 years.

The position may be summed up thus:—

- (1) No such powers were expressly given to the Resident in accordance with the principle laid down by the Privy Council.
- (2) Even if the Residency Courts have actually been exercising such powers for the last 12 years, though not vested in them by the 1281 Sanad, the absence of "full knowledge" on the part of His Exalted Highness' Government, which is the essential condition, obviously negatives the argument based upon tacit acquiescence.

There is another point that calls for special attention. It relates to the right of escheat. The property of a person dying heirless legally vests in the Sovereign State by right of escheat. The Administered Areas being a portion of the Nizam's territory, the property of all persons dying without heirs within the Administered Areas and in Berar should vest in the Nizam's Government. Similarly all treasure trove found within the same areas should of right belong to the Nizam's Government.

ANNEXURES TO QUESTION XV (3).

Draft Sanad received from the Residency.

III. The Resident and Officers named.....authorised and empowered to try and dispose of all.....(torn) of the following kinds, preferred against persons of every description residing in the Cantonment of the Hyderabad Subsidiary Force in or contingent or employed on railway works in His Highness' Dominions.

1st. Claims for money due on bond or agreement, verbal or written, not exceeding Rs. 1,000 in the Cantonments of H. S. Force Rs. 200 in a Cantonment of the Contingent, but without limit as regards the Railway.

2nd. Claims for rent of land or houses within the limit of the above Cantonments, and not being rent due to the State, limited as above.

3rd. Claims for recovery of personal property limited as above.

4th. Claims for damages to persons or property limited as above.

No claims shall be heard on account of a matter of inheritance or succession or legacy or partnership or rights in land or land rent, or taxes due to the State, or against any officer of His Highness' Government residing within the above specified Cantonments in the execution of his duty, but this last exception does not include farmers or contractors of taxes. All such claims shall continue as heretofore subject to the jurisdiction of His Highness' officers.

N.B.—It is on this passage that the Nizam's Government bases its present claim.

IV.—The Resident or officers named by him are authorised and empowered to try and dispose of all claims of the above description preferred before them against persons of all classes residing within the Residency Bazaars, excepting the Military and persons above the rank of sowars, peons, menials in the employ of His Highness or that of the Minister or great officers of his Highness' Government, but as in Rule 2, plaintiffs have the option, if they please, of suing in the City Courts.

* * *

VII. In all such appeals, and in revising cases called for without appeal, whenever a modification of the original Judgment shall seem necessary, a Law Officer of His Highness' Government shall sit with the Resident or his First Assistant, as the case may be.

"Iqtidarnama" (or Authorisation Deed) issued by His Highness and communicated to the Honourable the Resident by letter dated 3rd Jamadiul Akhir 1281 H. (4th November, 1864).

PARA. 190.

By this Deed of "Iqtidarnama" (or Authorisation) the Resident himself or any person appointed by the Resident, may try and decide all suits of the following description that may arise amongst any class of people residing within the limits of the Cantonment of the Hyderabad Subsidiary Forces or of the Hyderabad Contingent Forces or amongst persons employed on the railway line:—

Firstly, suits for money due on bonds or under contracts (oral or written).

Secondly, suits for houses and lands or rent of houses and profits of land situate within the limits of the above Cantonments, with the exception of suits for those houses and lands which belong to the State, or the Jagirdars or the Mukhtadars of the State or to the residents of villages belonging to the State, Jagirdars or Mukhtadars, or for the rents and profits of such houses and lands in all of which cases the suits shall be tried and decided by the State (Courts).

Thirdly, suits to recover personal properties.

Fourthly, suits to recover compensation for wrong done to person, or damage done to property.

Appeal against all decrees passed in the above suits shall lie to the Resident (sitting) with the Munsiff appointed by the State. But suits relating to Inheritance or Succession of Assets left by a deceased person, or for partnership or for those profits which may be payable to the State or Jagirdars or Mukhtadars and suits against any servant of the State residing within the local limits of the above specified Cantonments in the execution of his duties shall not be heard by the Resident or the Magistrate and the trial and the decision of such suit shall rest with the State only. This last exception does not include farmers or contractors.

PARA. 191.

This paragraph gives similar powers to the Resident with regard to suits arising within the Residency Market (or Area) with this provision that the plaintiff may, if he likes, bring his suits in the State Courts, but always subject to the condition that if he (plaintiff) resides permanently within the Residency Area, then he must institute his suit in the Residency Courts. It may be remarked that in this paragraph also, the only class of suits which the Resident was authorised to try were those mentioned in para. 190.

Translation of S 10 of Act II of 1324 F. (1915) of the Nizam's State.

Powers of the Darul Qaza Judge.

The Judge of the Darul Qaza Court shall exercise the powers of a Divisional Judge in Hyderabad (both within and outside the limits of Balda) in pre-emption cases and when the parties are Muslims in the following cases:—

- (1) Proof of legitimacy.
- (2) Inheritance.
- (3) Proof of or cancellation of marriage or declaration of its invalidity.
- (4) Right to maintenance, etc.
- (5) Right to visit kindred.
- (6) Cancellation of betrothal ceremony.
- (7) Relief against cruelties, whether physical or caused by tongue.
- (8) Expenses of medical treatment in certain cases.
- (9) Khula and Divorce.
- (10) Dower, dowry and marriage presents.
- (11) Recovery of wife and daughter.
- (12) Guardianship and custody of children.
- (13) Gift.
- (14) Burial expenses.

(4) *Water Rights.*

The right of this State to use the waters of the rivers which traverse or border it, whether for irrigation or power purposes, has given rise to disputes in the past and will no doubt cause further difficulties in the future. It would be advantageous if definite principles could

be laid down to cover such cases, so that both Hyderabad and the surrounding British provinces may know definitely what their position is with regard to projects which depend on rivers traversing, or dividing them from territories which are not their own. The example of the Godavari and the Krishna may be given. At present the Bombay Government has tapped the upper waters of these two rivers, or their tributaries, before they enter Hyderabad, not only for irrigation purposes but for a hydro-electric scheme which diverts water, which would otherwise flow eastwards into the State, down the Western Ghats into the sea; while the Madras Government is using these rivers, after they leave Hyderabad, for large canal systems in their deltas. Investigations have been made from time to time regarding the possibility of using these rivers and the Tungabhadra for irrigation schemes in Hyderabad, but progress is being hampered by the uncertainty as to the relative water rights of the State and the surrounding British provinces. His Exalted Highness' Government desires that some guiding principles should be laid down as soon as possible. The agency for formulating and applying such principles in the case of Hyderabad is a matter for consultation between the two Governments.

BARODA.

I.—*Jurisdiction or Authority in matters of Internal Administration.*

The British Government exercise jurisdiction in matters of internal interest, thus detracting from the full autonomy of the State.

I.—(a) *Construction of Railways.*

It is suggested that ordinarily no permission need be obtained by a State for the construction of railway lines within the State, and that the State should have its own Railway Act to regulate the working of such lines. In the case of through lines constructed by companies in the State, the Baroda Government should be allowed to subscribe the portion of the capital expenditure on the lines within their own limits, and where this is not done they should be given a share of the revenue other than interest on capital sunk.

I.—(b) *Jurisdiction on Railways.*

Civil and criminal jurisdiction on the portions of the following lines in Baroda territory is exercised by the British Government:—

- (1) Anand-Tarapur Railway.
- (2) Mehsana-Viramgam Railway.
- (3) Billimora-Kala Amba Railway.
- (4) Khijadia-Dhari Railway.
- (5) Okhamandal Railway.
- (6) B.B. & C.I. Railway—Broad Gauge.
- (7) B.B. & C.I. Railway—Metre Gauge.
- (8) Tapti-Valley Railway.
- (9) Ahmedabad-Prantij Railway.

This detracts from the internal autonomy of the States and causes administrative inconvenience. Fiscal revenues, such as income-tax,

abkari revenues, receipts from grass, &c., on these lines also accrue to the British Government. The Baroda Government request that the jurisdiction on portions of all the lines passing through the State should be retroceded to them.

I.—(c) *Jurisdiction over the area occupied by the Baroda Cantonment.*

In the year 1802, a small piece of land was given for the occupation of the subsidiary force stationed at Baroda. In 1822, at the instance of the Resident, His Highness' Government granted a *parwana* empowering the Officer Commanding the subsidiary troops in the cantonment to try offences committed by the sepoys and camp followers within camp limits. Thus whatever authority was exercised in the Baroda Cantonment was under the express consent of His Highness' Government. For the first time in 1887, the Government of India took up the following position:—

- (1) "that the theory of delegation does not apply to such cases ;
- (2) "that full jurisdiction over all persons and things within a British cantonment is necessarily acquired by the British Government as a consequence and in virtue of the occupation of the cantonment by British troops."

A year later (i.e., in 1888) the Agent to the Governor-General stated:—

"It may also be well to let you know that it is not the intention of Government to interfere with existing arrangements about land revenue, abkari and so on."

In 1889, the question of cantonment jurisdiction as a whole was discussed, and the basis of the arrangement to be made in revenue and fiscal matters was indicated by the then Agent to the Governor-General at a personal interview with the Minister. His Highness' Government were then given to understand that all revenues arising from stamps, opium, abkari and registration would be paid to them after meeting the necessary expenses for their collection, &c., His Highness' Government ceding full criminal and civil jurisdiction on their part. Subsequently, His Highness' Government were assured that the orders of the Government of India in revenue matters would follow the settlement of the civil and criminal jurisdiction. But no such orders have been passed, and the revenue jurisdiction is also retained with the British Government.

His Highness' Government submit that as the cantonment is part of Baroda territory, it is equitable that the State should not be required to surrender its jurisdiction over the area and the revenues accruing in it. They, therefore, request that all jurisdiction in the cantonment, except the military jurisdiction over the troops, should be restored to the Baroda Government, and they should be allowed to receive all the revenues accruing in the cantonment.

I.—(d) *Jurisdiction over Europeans and Americans.*

The Government of India do not permit the Baroda State to exercise jurisdiction over Europeans and Americans residing in the State. It is stated that as the Government of India are responsible in their international relations with foreign countries it is necessary to provide a

system of justice to which the foreign powers would take no exception on behalf of their subjects, and that "very few Native States possess jails in which European convicts could with proper regard to their health be incarcerated."

The legal and judicial system of Baroda is the same as in British India and its jail administration is conducted on modern lines. Baroda may, therefore, be allowed to exercise jurisdiction in these cases in accordance with a scheme framed with reference to the arrangements in force for the trial of European British subjects in British India.

I.—(e) *Guarantees to certain subjects in the State.*

Guarantees given to certain subjects of the State by the British Government lead to interference in the internal administration. These guarantees came into existence in the following manner. At the beginning of the last century, the Arab mercenaries in the employ of the State having become formidable and on one occasion defied the authority of the constituted Government, it was agreed, with the consent of the British and Baroda Governments, to disband them. These mercenaries were in the habit of guaranteeing the fulfilment of certain contracts between the State and its subjects or pledging to protect the latter from molestation by the State. They made it a condition of their leaving the Baroda State and its service that the guarantee given by them should be taken over by the British Government. The latter complied with their request, and, adopting the same practice, they also granted new guarantees. In course of time, more guarantees came into being, and as the people who possessed them often disregarded the legitimate authority of the State, complaints arose on both sides. In 1850, the Court of Directors laid down a rule that the British Government should give no more guarantees and that they should withdraw from the existing ones whenever they could do so with due regard to their good faith. A large number of the guarantees were declared to be personal to the original holders and held to have been extinguished on their death. Others were held to have been forfeited owing to the misconduct of the holders.

At present there are four persons or families enjoying these privileges. These are (1) the Desai family of Navsari, (2) the Desai of Palsana, (3) the descendants of Sunderji Nilaji and (4) the Pol Pagedar.

The guarantees to the first two holders were not hereditary, but it has been held that as hereditary office and emoluments were guaranteed, they were perpetual. The holders are granted exemption from service on the strength of the guarantee.

The holders of the third guarantee are descended from one Sunderji Nilaji, a Native Agent in the employ of Colonel Walker, Resident at Baroda in 1802. In the Kadi War of 1802, Sunderji was taken prisoner and ill-treated by Malharrao Gaekwad. A pension of Rs. 1,200 per annum was granted to him by Maharaja Anandrao Gaekwad on the recommendation of the then Governor of Bombay. It was to this pension that the guarantee was afterwards attached without the consent of the Baroda Government, and the pension is now paid to remote

descendants of Sunderji, although they reside in Bombay and render no service to the State.

The Pol Pagedar was the killedar (commander) of the fort of Kaira. When the fort was granted to the East India Company, in inam in 1803, the allowances received by the killedar and his brother were continued to them under the guarantee of the British Government. The sanad of guarantee contains no words implying perpetuity. Though His Highness' Government have pointed this out, the guarantee is being still continued.

The Baroda Government request that interference under these guarantees may be discontinued.

I.—(f) *Guarantees to the lands, &c., of tributary girassias in the State.*

A more numerous class of people whose cases lead to interference in the internal affairs of the State are the guaranteed girassias. This class consists mainly of—

- (1) the descendants of the Mahi and the Rewa Kantha tributaries who hold giras lands in Baroda territory;
- (2) their collaterals, &c., who were given lands in Baroda territory for their maintenance by the tributaries and hold it subject to the latter's reversionary right.

These people have estates both in the tributary area and in the Khalsa mahals under the direct authority of the Baroda Government. The guarantees given to them were in respect of their lands and villages in the tributary area on which the tribute of Baroda used formerly to be recovered by the mulukgiri commanders at the head of the army. There was no intention that the lands or villages of these tributaries in the territory under the direct administration of Baroda should also be covered by guarantee. But on the ground that the object of the guarantee was to safeguard all the income which formed the source from which the tribute was paid, these lands and villages are also held to be guaranteed. The ground is not tenable, as in fixing the tribute the possessions of the tributaries under the direct administration of Baroda were not taken into account. These latter lands and villages were and are liable to pay quit-rents or other dues separately to the Baroda Government. The guarantee extended to these lands is not thus authorised by the treaties. In 1878, during the minority of H.H. the Maharaja, the State was committed to an arrangement which accorded a privileged treatment to these lands and villages. Under this arrangement, the State is required to deal with the complaints of these girassias by a special procedure. They are exempt from the payment of stamp duty. Their lands cannot be attached in satisfaction of decrees of civil courts. No new taxes, even of general applicability, are allowed to be imposed on their lands, though the girassias, like other subjects, participate in the benefits of the improved administration. It was after much correspondence that the local improvement cess and the cotton cess were allowed to be levied on the lands of the girassias. The theory of immunity of the girassias' holdings from taxation has been pushed to such an extent that people residing in these areas are not allowed to be subjected to the State income-tax on

incomes derived by them within the State from their dealings outside these areas.

II.—*Military Matters.*

II.—(a) *The right of the State to regulate the strength of its Military and Police Forces.*

According to the treaties, Baroda is free to determine the strength, constitution and equipment of the military forces maintained by it for the preservation of internal order and for co-operating with the British Government in time of war. The predecessors of His Highness the present Maharaja exercised these powers. At His Highness' investiture with ruling powers in 1881, however, a condition was imposed that no material change in the constitution or numbers of the State troops should be made without the assent of the Government of India. In practice, this condition is so strictly interpreted that at times changes in the uniform, &c., of the irregular troops are objected to and even instruction in drill is not allowed to be imparted to them. The result is that the troops lack adequate equipment and come to think of themselves as belonging to a neglected arm of the State service, and lose their *esprit de corps*.

Recently this restriction has been made applicable in the case of the armed police force of the State.

II.—(b) *The right of the State to manufacture arms and ammunition, and the working of the arrangement of 1879 for the supply of arms and ammunition required for administrative purposes from the British arsenals.*

The State has the right to manufacture the arms and ammunition required for its own use. It used to manufacture gunpowder, &c., in its own factory.

In 1878, while pointing out the difficulties and inconvenience that would be caused in the work of ordinary administration by the operation of the Indian Arms Act of 1878, the Minister asked that such arms and ammunition as the Baroda Government obtained for the requirements of the administration should be exempted from duties. Thereupon, the Government of India offered to supply arms free of duty on the condition "that the State does not procure such articles from any quarters or manufacture them for itself." His Highness' Government agreed to this condition with certain reservations. The Agent to the Governor-General stated that it was unnecessary to discuss the conditions specified in the letter, and that the Government of India having agreed to supply arms, &c., free of duty, it must be assumed without bargaining *that the agreement will be performed in a fair and reasonable manner.*

In connection with this arrangement, the Government of India informed the Agent to the Governor-General that it would be for him to decide whether the indents for arms or ammunition submitted by the Baroda Government were within the legitimate requirements of the State.

On some occasions, the Government of India did not supply such arms as the Baroda Government desired in the interests of their administration. The State's right to purchase arms and ammunition from any suitable source was also negated.

In 1907, the clause "it was for the Agent to the Governor-General to decide whether indents for arms, ammunition and military stores submitted by the Baroda Durbar were within the legitimate requirements of the State," was interpreted to mean that the Baroda State in common with other States became liable to any restrictions which the Government of India through their representative might desire to impose on the number of arms to be supplied for the troops of Indian States.

The manner in which the arrangement is worked causes administrative inconvenience. The Baroda Government are asked to return old arms when new arms are supplied. Indents for rifled arms are not complied with. No administration can be efficient if the police and army are supplied with old and obsolete types of weapons. The State found itself at a great disadvantage when it had to deal with violent crime in its limits a few years ago. In the interests of efficiency of administration, it is necessary that the State should be allowed to manufacture the arms and ammunition required for its administrative needs or to obtain them from such source as they find convenient. If it decides to obtain the arms, &c., from the British arsenals, as at present, it should be supplied with up-to-date weapons and ammunition for them in sufficient quantities.

III.—*Extradition.*

In article 9 of the treaty of 1817, it is provided :—

"The contracting parties being actuated by a sincere desire to promote and maintain the general tranquillity and order of their respective possessions, and adverting to the intermixture of some of the territories belonging to the Honourable Company and the Maharaja Anund Rao Guikwar, Sena Khas Kheyl Shumsher Bahadoor, it is, therefore, hereby agreed that offenders taking refuge in the jurisdiction of either party shall be surrendered on demand without delay or hesitation."

A complete reciprocity of procedure in extradition matters is meant. But in practice this reciprocity is not observed. To cite one example, Baroda has to furnish a *prima facie* case in support of every extradition demand made by it, whereas *prima facie* cases are supplied to it only when the extradition of a Baroda subject is asked from it. In other cases, only a certificate that a *prima facie* case exists against a particular offender is supplied to it, and the State has to surrender the offender on such a certificate. It is suggested that the arrangement might be the same in all classes of cases.

MYSORE.

A.—*Assumption of Jurisdiction over State Areas.*

(i) *The Civil and Military Station, Bangalore.*

The treaty provides that the Maharaja of Mysore shall not object to the maintenance or establishment of British Cantonments whenever and wherever the Governor-General in Council may consider such Cantonments necessary. In 1809 it was found necessary to remove the

British garrison from Seringapatam on account of the unhealthy nature of that place, and some of them were moved to Bangalore, where they were accommodated in the Fort, in which the General Commanding and many of the European residents also lived. In 1831, which was the commencement of the period of British administration, the offices of the principal departments were accommodated in the Palace in the Fort. In 1868 the new Public Offices in Cubbon Park were built, and this was accompanied by the removal of the European residents to that side of the town. A municipality was established in 1871, but at the outset was administered with the City Municipality by a common President. Revenue work continued in the hands of the Deputy Commissioner till 1884, and the powers of a High Court for this area were vested in the Chief Judge of Mysore till the same year. In jail matters the station still depends upon the accommodation provided by the Mysore State, while the State's revenue stamps are still used, though the proceeds go into the common pool.

The few dates given above indicate the gradual process of the ousting of Mysore State jurisdiction in the area which, originally a Cantonment, was given the name of the Civil and Military Station in 1881, when, simultaneously with the transfer of the government of the State to His Highness the Maharaja, the jurisdiction over this area was ceded to the Government of India.

The area appears at first to have amounted to 9.75 square miles and has since increased to 13.54. Up to the time of the construction of the Public Offices it had been very little built upon, but it has since gradually been developed and is now indistinguishable from the rest of the city of Bangalore. It has a population of 118,940 and yields a revenue of about 18 lakhs of rupees. It seems to the State that the time has come when the question of the restoration of the jurisdiction over this area should be considered. It is not only very expensive, but highly inconvenient from many points of view to have one of the largest cities in India split into two jurisdictions under two different sets of laws. To take a single instance, the State finds itself embarrassed in the matter of a joint water-supply scheme, by having to come to terms, not only with the Military authorities, but also with the municipal body which represents the civil inhabitants of the Cantonment. Questions of finance and taxation, of which one or two have already been referred to, cause much difficulty in their settlement. That there can be no difficulty about living in the territory that has not been ceded would appear to be obvious from the fact that the General Officer Commanding has lived for years outside the ample limits of the ceded area. On the other hand, the inhabitants of the Civil and Military Station suffer from disabilities of a very serious kind. At a time when, both in British India and in the States, popular representation is being rapidly extended, the inhabitants of an advanced area have no representation on any legislative body. Similarly, in the matter of courts, they have access to no High Court or Chief Court in India. Similarly again, their colleges cannot be affiliated to the University of Mysore. The State are only too ready to make all necessary provisions for military purposes, and to make any arrangements for their sanitary and other convenience which the Government of India may desire, but they think that the time has come when the treatment of the Civil

and Military Station of Bangalore as if it were a minor province of British India should cease.

(ii) *Lands assigned to the Indian Institute of Science.*

A site consisting of 371 acres was assigned by this Government in the year 1902 for the location of the Institute at Bangalore. In accordance with the wishes of the Government of India, jurisdiction over this area was ceded on conditions similar to those relating to the Civil and Military Station. The State feel that, under present conditions, there is no reason why this area should not be replaced under State control.

B.—*Assumption of Jurisdiction over European British Subjects.*

The State feel it inconsistent with their *amour propre* that European British subjects should not be triable under their own laws and by their own tribunals for offences committed in the State, even when they are perfectly willing themselves to submit to those laws. The solution of this difficulty is not an easy matter because of the complicated nature of the British Indian law regarding the trial of European British subjects. In fact it would seem doubtful whether at the present time a European British subject can legally be brought to trial at all, since, for instance, the amended code requires the case to be brought before a District Magistrate and there is no Justice of the Peace who has any local jurisdiction. The Durbar would suggest, in the first instance, that where a European or Anglo-Indian is prepared to waive his right of trial as such, there should be no objection to his being tried by the Mysore Courts. For the rest they are attempting to find a solution of part of the difficulty in the creation of First Class Benches on the panels of which there will be a sufficient number both of Europeans and of Indians.

C.—*Extradition.*

The time appears to have come when the procedure in extradition might be simplified, both as between Indian States and British India, and as between Indian States and other States when the parties have to be brought through British India. In the case of Mysore there is a special provision, under a notification of the Chief Commissioner of 23rd July, 1878, under which formal extradition in the case of offences committed in British India is dispensed with and all criminal processes issued by British Indian Magistrates can be served in Mysore as if in a Province of British India. This applies whether the offence is one included in the schedule to the Extradition Act or not. The State would be very glad to see a reciprocal arrangement introduced on these lines.

D.—*Restrictions on the Employment of Non-Indian Officers.*

The requirement of the Government of India that retired Military Officers should not be employed in connection with State troops for a period of more than a year seems to impose a quite unnecessarily severe restriction. A State does not employ an officer of the kind unless for the purpose of effecting far-reaching reforms, and reforms of this nature cannot be effected in the period named, which is needed to secure a complete understanding of the conditions.

E.—*Restrictions upon Arms, Ammunition and Explosives.*

The Mysore Lancers are very inadequately provided with automatic guns. The complement in British Indian Cavalry is nine Hotchkiss and four Vickers guns. The Mysore Lancers have only three Hotchkiss guns. The Infantry are armed with obsolete weapons. On the other hand the State has found itself recently in a considerable difficulty owing to the prescription by the Government of India of .303 rifles for its reserve police. These cannot be used with buckshot and are quite unsuitable for dealing with a riotous crowd.

F.—*Ports and Coastal Jurisdiction.*

A peculiar situation has arisen out of the historical circumstances which led to the fixing of the boundaries of the State of Mysore in that on the West Coast, while Mysore has the bulk of the hinterland, her territory reaching in one case to a point five miles from the Coast, she has no control over the ports, while the Provinces in which the ports are vested, having only a portion of the hinterland to look after, are little interested in developing the harbours. As a consequence the products of the Bhadravati Iron Works, of an immense forest and mining area, and of some of the richest lands in the State have to be carried right from one coast to the other to secure an outlet to the sea, with the result that, in the case of Bhadravati in particular, they are greatly handicapped in competition with the products of places more favourably situated. They are no less handicapped in the matter of imports, for instance, of machinery and coal. The State have long been anxious to undertake the development of the port of Bhatkal in order to secure an outlet for these products, and feel that it ought not to be impossible to arrive at some arrangement under which they could contribute to the development of the port and secure a share in its control.

G.—*Limitations on Modification of Laws and Rules.*

Article 18 of the Treaty of 1913 provides for the continuation of a long schedule of Acts and Rules dating back to the year 1847, which were in force at the time of the rendition in 1881, and prohibits any modification of any of these laws or the passing of any laws inconsistent therewith except under the sanction of the Government of India. This clause involves very undesirable limitations on the sovereign powers of His Highness the Maharaja as well as a large amount of unnecessary work in referring modifications of a routine character for sanction. It will be seen from the account of the Mysore constitution that is printed as Appendix D that ample safeguards are afforded by the Representative Assembly and Legislative Council.

APPENDIX D.

The Mysore Constitution.

For an appreciation of the underlying theories of the Mysore Constitution, attention is invited to the annexed copy of the appendix to the Earl of Ronaldshay's "The Heart of Aryavarta." The following is a bald statement of the practical elements.

His Highness the Maharaja is a constitutional Ruler. His privy purse is entirely separate from the finances of the State, and amounts to 23 lakhs out of a revenue of 340 lakhs, or about 7 per cent. All

decisions of the Government of any importance at all, for instance, all appointments on Rs. 100 and upwards are submitted for his sign manual, and he has a full power of veto, which, however, is seldom exercised.

The Dewan is the executive head of the Government. He is assisted by three Members of Council, who administer departments under his control and have the right of recording minutes of dissent, and when there is a difference of opinion between the Dewan and a majority of the Council, the matter has to be submitted for His Highness's orders.

There are two Houses. The first, the Representative Assembly, consists of 260 members, of whom 205 are elected, 35 are representative of minority communities, and selected by a process similar to election, and 20 are nominated to represent special interests such as labour, and the depressed classes. Members of this House have the power of interpellation, of moving resolutions and of discussing legislation, but the House is essentially advisory.

The Legislative Council also have powers of interpellation and of moving resolutions and have final power over legislation and over the Budget. In fact, their powers are technically much the same as those of Provincial Legislative Councils.

The Dewan is the President of both Houses.

The Chief Court is appointed by His Highness the Maharaja, and consists normally of three Judges. The judiciary is for all practical purposes separated from the executive.

The executive officers are recruited by competitive examination, nomination and promotion. A Central Recruitment Board is employed to advertise vacancies, to keep appointing authorities informed of the names of suitable candidates and otherwise to assist in securing a measure of communal representation.

In the matter of Local Government, District Boards have much the same powers as similar bodies in British India. There are no Taluk Boards. Statutory Village Panchayets with considerable powers are in process of creation. A bill for the introduction of compulsory primary education under school boards is under discussion.

“THE HEART OF ARYAVARTA” BY THE EARL OF RONALDSHAY.

Constitutional Developments in Mysore.

Memorandum summarising the recommendations of the Committee.

The report of the Committee sets forth proposals for framing a Constitution which, while taking cognizance of present-day tendencies throughout the world, yet seeks to base itself upon Indian rather than Western theory, and to give expression to Indian rather than to European ideals. The basic fact of such a Constitution is the existence of the Head of the State as the supreme executive head as well as the source and sanction of law; and in the view of the Committee this provides the key to the fundamental difference between a typically Indian form of Government and a modern democratic Constitution, such as that of Great Britain. The one is unitary in origin and in fact; the other dualistic in origin, if not at the present time, altogether so in practice. For if the British Constitution has “reached a basis of unity under an arrangement by which the Cabinet controls Parliament *de facto*, while

Parliament controls the Cabinet *de jure*," this does not alter the fact that it is the product of a system under which sovereignty was divided between two originally separate elements, namely, the Head of the State and the people composing the State.* In the case of a unitary State, the Head thereof, as the symbol of *Dharma* or the law, is regarded as representing the people "directly and primarily in his person . . . and as standing in a more direct and vital relationship to them" than the members of any representative body. He may seek the advice of individuals or of corporations; he may delegate his functions to individuals or to chambers, but he remains the Head of the body politic, such other limbs as may evolve or be created being but subordinate members—"organs of one will centred in the Head" wherein resides "the permanent reservoir of law-making power."

This being the recognized position of the Head of the State, the object of the introduction into the Constitution of other bodies is in the main to provide machinery for perfecting the process by which effect is given, in the domain of legislation and of administration, to the one undivided Will of the State. Those bodies of the ancient Indian polity to which reference is made in the report—the village assemblies, the guilds and other similar associations—having disappeared, new bodies must be created for this purpose. And to this end, in the view of the Mysore Committee, the process of law-making may most conveniently be treated as a three-fold one, each part of the process being assigned to a separate organ. The first part of the process is the enumeration of matters in respect of which legislation is desirable. Legislation having been decided on, the next part of the process consists of a technical and expert examination of the matter, and finally, there is the actual work of discussion and amendment, in the course of which the measure assumes its final form for presentation to the Head of the State for ratification or, if he thinks fit, rejection.

The Committee found the rudiments of these three organs already in existence in Mysore, having grown up "under the silent forces of natural evolution," and proceeded to make recommendations for their formal incorporation in the Constitution. The first of these organs, to be known as the Representative Assembly, should be so constituted as to be an "epitome of the people," and as such its functions should be to voice the popular will in all the acts of Government affecting the life of the people. It should serve two important ends—the initiative and the referendum. Its members would "articulate the intuitive and unsophisticated views and wishes of the people." It would not perform the actual work of legislation, but would express its opinion on legislative measures both before and after they have been dealt with by the organ—namely, the Legislative Council—to which this function is assigned. It should be in fact a "conference of the delegates of the whole people." The number of members suggested for this body is 250.

* Strictly speaking the Indian Constitution had a pluralistic origin, as a reference to Chapter XI of the first volume of this series ("India: A Bird's-eye View," pp. 132-138) will show. But the Committee, when speaking of the Mysore Constitution as being unitary in origin, is referring to the period when the State proper had come into existence and not to those earlier days of guilds and other corporations before the rise of kingship. When once the idea of "the state" had arisen, "the monism of the Hindu mind," to quote the words of Dr. Seal in a letter to me on the subject, "stamped its impression on the polity by emphasising the need of the monarch as the wielder of *Danda* (sanction, punishment) for the presentation of *Dharma* (the Law of Laws); and in the end the latter day Indian States in practice became monistic and absolute."

The actual work of legislation should be performed by a smaller body of fifty members, consisting of persons of knowledge and experience, a body which would not be so much an epitome of the people as "an assembly embodying the collective wisdom and virtue"; while work of a more technical character—the scientific examination of legislative proposals before they are submitted to the legislature, and of proposed administrative action, etc.,—should be discharged by Standing Boards of experts constituted for advising the Government and the legislature.

One of the most interesting features of this machinery is its suggested composition. In the case alike of the Representative Assembly and the Legislative Council, the Committee urges that the representation should not be merely general, but should include minorities and a variety of interests as well. The Constituencies, that is to say, should be not merely territorial, but vocational. This is an essentially Indian tradition, going back to the days of the guilds and caste corporations, and great stress is laid upon it in the report. "Neighbourhood is no doubt a vital bond . . . and territorial electorates are a necessary basis of representation . . . but the ties of common interests and common functions that bind men into groups and associations independently of the tie of neighbourhood, acquire greater and greater importance with the more complex evolution of life and society . . . A citizen of a State is a citizen, not merely because he resides in a particular locality, but really by virtue of the functions he exercises and the interest he has at stake in the body politic."

The ancient Sanskrit treatises on political science—the Arthashastras—are quoted in support of the claim that representation of this kind is in accordance with "the political temper and political genius of the Indian peoples." But continuity is not the only advantage urged for such a system. The greatest advantage claimed for it is that it is bound to work for the softening of differences in general, and of communal differences in particular. The dividing lines of the professions—so runs the argument—cut across those of the communities. "So far as rigid communal barriers in the matter of vocations and functions are breaking down and a free interchange and interflow are being established in society at large, the representation of interests and functions on a non-communal and non-ethnic basis will be an influence for unification and concord."

For the present, it is suggested that provision should be made for the representation of seven or eight different interests, to be spread over fifteen seats in the Representative Assembly; but a large development of this element in the composition of the Assembly is aimed at in the future, and the number of different interests which the Committee would like to see specially represented includes agriculture, manufacture and trade, land and capital, law, medicine, engineering and teaching, labour, social service, women and children, the depressed classes, and even dumb animals.

Prima facie one would have expected that the particular category of interests which bulks so largely in India and which has proved a source of so much difficulty where it has had to be fitted into the framework of the parliamentary system which is being established in British India, namely, the communal, would have been regarded as the most

important of the special interests to be provided for in an Indianised form of a modern Constitution. But this is not so.

The Committee draws a sharp distinction between the "function groups" described above which "form no *imperium in imperio*, no independent centres of the citizen's loyalty or allegiance conflicting with the growth of the national sentiment or with a sense of the common weal," and the different communities with "creeds and customs that sunder," which constitute "so many independent and original centres." Nevertheless—though the Committee was far from unanimous as to the means by which it was to be achieved—it was recognised that some scheme must be devised to afford protection to communal minorities which were proved in practice to be unable to secure representation through the ordinary electorates. The device of communal electorates, adopted in British India in the case of the Muhammadans and the Sikhs, after being condemned in vigorous terms by the chairman, was rejected by the Committee, though the scheme eventually adopted by the majority necessarily possessed certain features in common with the system which was condemned. Briefly it was laid down that any minority community of not less than 20,000 souls, failing to obtain representation through the general electorate, should be entitled to representation through special electorates consisting of such *bona fide* associations, numbering not less than 100 members, as had been established for the advancement of the communities. The chief advantages claimed for this scheme are, first, that it displays no discrimination in favour of, or against, any particular community. The measure of protection which it affords is offered to any community which is proved by experience to require it. Secondly, that it will act as a stimulus to the communities affected by it, since representation will only be accorded if suitable associations conforming to certain prescribed conditions are established. And finally, that sooner or later the scheme will automatically work itself out as the progress made by the various minority communities enables them to obtain representation in the ordinary way. This result will be hastened when the general standard of education and political experience permits of the introduction of some form of proportional representation. It is thought that some ten or twelve out of about thirty minority communities will secure representation through the general electorates from the start.

These different bodies, as has been pointed out, have been designed to facilitate the translation into concrete form of the one undivided will of the State. They have no power to tap "the permanent reservoir of law-making power" vested in the Head of the State. For the "constitutional unity between the Head and his people is the central fact in an Indian State like Mysore, built on the unitary plan." It follows from this that the executive or ministry is not responsible to, or removable by, the legislature, for the ministers are the agents of the Head of the State chosen by him as his advisers, and responsible to him. And the wisdom of this conception of the unitary State—of this close organic relation between the sovereign and his people—is extolled on various grounds, but particularly on this, that it works for the perpetuation of *Dharma*, that is to say of righteousness or the moral justice which is the lawful due of every individual of whom the State

is composed. For "no Court of Areopagus, no Justiza of Aragon, no Federal Supreme Court, no Hague arbitrations, nor any other machinery that ever has been invented by man has served as a material check on that most perfect of all tyrannies, the irresponsible will of the majority in any democracy." The only safeguard against such tyranny is the willing homage of all wills in the State to the Law of Laws, King *Dharma*, the inscrutable and inexorable Ruler of the Universe, of whom the Head of the State is the Representative on earth. And if it be objected that such a Constitution is in effect nothing but an autoocracy hiding behind an ingenious camouflage, its authors reply that this is not so, for the crucial feature of the Constitution—the means by which the primacy of the people is secured and the unity between them and the Head of the State made living and effective—is the referendum. It is this right of initiative and referendum vested in the General Assembly of the delegates of the whole people that constitutes the pivot upon which the machine of government is poised, for without it "the one undivided Will of the State" could neither be ascertained nor a *fortiori* given effect to.

The Committee was precluded by its terms of reference from dealing in any detail with the reorganisation of local self-government. But in touching briefly upon this question, which it regards as one of the highest importance, it urges the reconstruction of the machinery of local self-government on lines according with ancient Indian sentiment and tradition. Until the edifice of local self-government is rebuilt on a foundation of bodies characteristic of the ancient Indo-Aryan polity, such as village panchayets and guilds, local self-government will remain "an exotic, unacclimatised and unrooted on Indian soil." With the recreation of such a foundation on which such bodies as District Boards may rest, there will come into existence the "true Jacob's ladder" giving access to the "democrats' Heaven." This is the plan of Indian rural organisation, "which is still visible in outline, however dilapidated may be the walls, and," in the opinion of the Committee, "it may even now be restored with some facings and buttresses from modern county council developments in the agricultural countries of the West."

JODHPUR.

Yes, with regard to Treaty payment of Rs. 1,15,000 annually made by the Durbar for the upkeep of military forces (see note below).

(1) Under a Treaty (No. LIV) of 1818 (Article 8) the Durbar was required to supply a military force of 1,500 horse for the service of the Imperial Government whenever required.

(2) A revision of this engagement was made by a new Treaty (No. LVIII), 1835, under which the Durbar agreed to make an annual payment of Rs. 1,15,000 in lieu of the employment of State troops.

(3) This money was originally devoted to the upkeep of a military force known as the Jodhpur Legion. This force was disbanded in 1857, and was replaced by a corps known as the Erinpura Irregular Force. The mounted portion of this force was composed mainly of Sikhs and the infantry of Bhils and Minas; the object of the latter

composition being to afford occupation to local tribes and thus divert them from their lawless habits.

(4) In 1903 this corps became the 43rd Erinpura Regiment. In consequence of the reorganization and reduction of the Indian Army that took place after the War of 1914-18 this regiment was disbanded, but the Government of India deemed it advisable to retain a small local force at Erinpura in order to provide employment for the Mina inhabitants of the district and to preserve a potential source of recruitment. This local force of 100 men is still retained, and the full Treaty payment of Rs. 1,15,000 is still made by the Durbar.

(5) Since the demobilisation of the Erinpura Regiment and the introduction of the smaller force, however, the Government of India has agreed to a refund to the Durbar of part of the Treaty payment representing the unspent balance after providing for all charges connected with the irregular corps of Minas now maintained. In doing so, the Government of India has stated that this refund is made only as an act of grace and that under the Treaty the full sum payable can be claimed not only in connection with the Erinpura irregular force, but for use on any other military purpose if required. Further, the Durbar is precluded from questioning the accuracy of the accounts or the basis of calculation of the amount refunded.

(6) The Durbar's views on this matter which have been represented on more than one occasion in the past are:—

- (i) That the spirit of the Durbar's obligation under the original Treaty of 1818 and the amending Treaty of 1835 is amply fulfilled by the upkeep of the Imperial Service Troops which have been introduced in more recent years.
- (ii) That these Imperial Service Troops, consisting of a regiment of cavalry and a regiment of infantry with transport have been made available for Imperial purposes whenever required, and their efficiency is recognised by the fact that they are listed as Class A troops on the mobilisation of the Army in India. The annual cost of this military force is approximately Rs. 13 lakhs a year. In addition, the Durbar maintains Irregular Forces and Police for purposes of internal security at an annual cost of Rs. 9½ lakhs. The total expenditure incurred by the Durbar on forces maintained for Imperial purposes and internal security, inclusive of administrative and pension charges is approximately Rs. 25 lakhs a year or 21 per cent. of the gross revenue of the State.
- (iii) That in view of the altered circumstances and the present day commitments of the Durbar on military expenditure voluntarily undertaken, the Treaty payment of Rs. 1,15,000 agreed to in 1835 should be reconsidered.

(Copies of the relevant documents and correspondence connected with this case are attached.)

ANNEXURES.

1. Treaty No. LIV of 1818.
2. Letter dated 22.9.1835, from the Maharaja Man Singh to the Agent to the Governor General for the States of Rajputana proposing the substitution of an annual payment of Rs. 1,15,000 in lieu of the obligation to provide a military contingent of 1,500 horse.
3. Letter No. 67-p, dated 1.6.1912, from the Resident, Western Rajputana States, to the Senior Member of Council, Marwar State, regarding the disbandment of the cavalry squadron of the Erinpura Regiment.
4. Letter No. 1839, dated 27.3.1913.
From the Maharaja Regent, Marwar State, to the Resident, Western Rajputana States, replying to item 3 above.
5. Letter No. 5237, dated 30.10.1913, from the Resident, Western Rajputana States, to the Vice-President, Regency Council, Marwar State, regarding the delocalisation of the 43rd Erinpura Regiment.
6. Letter No. 2156/CD—3, dated 16.1.1914.
From the Vice-President, Regency Council, Marwar State, to the Resident, Western Rajputana States, replying to item 5 above.
7. Letter No. 26—C.B./287-20, dated 15.9.1921, from the Resident, Western Rajputana State, to the Political and Judicial Member, Regency Council, Marwar State, regarding the diversion of the Durbar's contribution of Rs. 1,15,000 for the 43rd Erinpura Regiment (disbanded) to the cost of the upkeep of a detachment of Minas at Erinpura.
8. Letter No. 101, dated 17.10.1921.
From the Political and Judicial Member, Regency Council, Marwar State, to the Resident, Western Rajputana States, replying to item 7 above.
9. Letter No. 324 of 1922, dated 25.1.1922.
From the Resident, Western Rajputana States, to the Political and Judicial Member, Council of Regency, Marwar State, replying to item 8 above.
10. Letter No. 1550, dated 1.7.1922.
From the Political Member, Council of Regency, Marwar State, to the Resident, Western Rajputana States, replying to item 9 above.
11. Letter No. 2843/287/1920, dated 3.10.1922.
From the Resident, Western Rajputana States, to the Political Member, Council of Regency, Marwar State, stating that remission of the Durbar's contribution of Rs. 1,15,000 cannot be made.
12. Letter No. 132 C of 1924, dated 6th June, 1924.
From the Resident, Western Rajputana States, to the Political and Judicial Member, Marwar State Council, intimating that the Government of India would allow a refund of the unspent balance of the payment of Rs. 1,15,000 after providing for all costs connected with the Erinpura irregular force.

ANNEXURE 1.

No. LIV.

Treaty between the Honourable English East India Company and Maharajah Maun Singh Bahadur, Rajah of Jodhpur, represented by the Koowur Regent Joograj Maharaj Koowur Chhutter Singh Bahadur, concluded by Mr. Charles Theophilus Metcalfe on the part of the Honourable Company in virtue of full powers granted by His Excellency the Most Noble the Marquis of Hastings, K.G., Governor-General, and by Byas Bishun Ram and Byas Ubhee Ram, on the part of Maharajah Maun Singh Bahadur, in virtue of full powers granted by the Maharajah and the Joograj Maharaj Koowur aforesaid, 1818.

Article 1.

There shall be perpetual friendship, alliance and unity of interests between the Honourable English East India Company and Maharajah Maun Singh, and his heirs and successors, and the friends and enemies of one party shall be friends and enemies of both.

Article 2.

The British Government engages to protect the principality and territory of Jodhpur.

Article 3.

Maharajah Maun Singh and his heirs and successors will act in subordinate co-operation with the British Government and acknowledge its supremacy; and will not have any connection with other Chiefs and States.

Article 4.

The Maharajah and his heirs and successors will not enter into any negotiation with any Chief or State without the knowledge and sanction of the British Government; but his usual amicable correspondence with friends and relations shall continue.

Article 5.

The Maharajah and his heirs and successors will not commit aggression on any one. If, by accident, disputes arise with anyone they shall be submitted to the arbitration and award of the British Government.

Article 6.

The tribute heretofore paid to Scindia by the State of Jodhpur, of which a separate schedule is annexed, shall be paid in perpetuity to the British Government, and the engagements of the State of Jodhpur with Scindia respecting tribute shall cease.

Article 7.

As the Maharajah declares that, besides the tribute paid to Scindia by the State of Jodhpur, tribute has not been paid to any other State, and engages to pay the aforesaid tribute to the British Government; if either Scindia or anyone else lay claim to tribute, the British Government engages to reply to such claim.

Article 8.

The State of Jodhpur shall furnish fifteen hundred horse for the service of the British Government whenever required; and, when necessary, the whole of the Jodhpur forces shall join the British army, excepting such a portion as may be required for the internal administration of the country.

Article 9.

The Maharajah and his heirs and successors shall remain absolute rulers of their country, and the jurisdiction of the British Government shall not be introduced into that principality.

Article 10.

This Treaty of Ten Articles having been concluded at Delhi, and signed and sealed by Mr. Charles Theophilus Metcalfe and Byas Bishun Ram and Byas Ubhee Ram; the ratifications of the same by His Excellency the Governor-General and by Raj Rajeshwar Maharajah Maun Singh Bahadur and Joograj Maharaj Koowar Chhutter Singh Bahadur shall be exchanged within six weeks from this date.

Done at Delhi, this sixth day of January, 1818, A.D.

(Seal.)

(Sd.) C. T. Metcalfe.

(Seal.)

Byas Bishun Ram.

(Seal.)

Byas Ubhee Ram.

(Seal.)

Joograj Maharaj Koowar
Chhutter Singh Bahadur.

(Governor-General's Small Seal) (Sd.) Hasings

Ratified by His Excellency the Governor-General in Camp at Oochar, this sixteenth day of January, one thousand eight hundred and eighteen.

J. ADAM,

Secretary to the Governor-General

ANNEXURE 2.

Translation of Khureetah, dated 27 Jumadi-ul-Awwal 125 Higiri corresponding with the 22nd September, 1835.

From Maharaja Maun Singh Bahadur, to Major Alves, Agent to the Governor-General for the States of Rajputana.

Whereas it is stipulated in the 8th Article of the Treaty subsisting between the British Government and myself that "I shall furnish 1,500 horse for the service of the British Government whenever required" an arrangement which met with my full concurrence and approbation. Yet as horse, which were sent in conformity with the 8th Article of the Treaty and which were such as I had, and considered good, were not approved by the representatives of the British Government, and have led to remonstrances on their part upon the subject, I have, in concurrence with the advice and opinion of Lieutenant Henry Trevelyan (notwithstanding that it was my desire to send only such as were the best and the chosen of such Troops as I have) come to the determination of proposing to you, in lieu of these Sowars,

an annual money payment of Kuldar rupees 1,15,000 (the half of which is rupees 57,500) to be paid from the beginning of the month Poose Sooddee Pooranwasee Sumbut, 1892, regularly into the hands of the Agent Governor-General for Rajputana at Ajmer on account of the British Government and of requesting that the British Government will expunge so much of that article of the Treaty as related to these Sowars, and never in future urge me to send them upon their service.

Permit me to beg the favour of your submitting this proposition.

ANNEXURE 3.

Letter No. 67-P, dated 1st June, 1912.

From the Resident, Western Rajputana States, Jodhpur, to the Senior Member of Council, Marwar State, Jodhpur.

In continuation of this office letter No. 47, dated the 17th April, 1912, I have the honour to state for the information of the Durbar that the proposed disbandment of the cavalry squadron of the Erinpura Regiment has not been sanctioned by His Majesty's Secretary of State for India and that this question will be submitted for decision to the Committee presided over by Field Marshall Sir W. Nicholson.

ANNEXURE 4.

Letter No. 1839, dated 27th March, 1913.

From His Highness the Maharaja Regent, Marwar State, to the Resident, Western Rajputana States, Jodhpur.

With reference to your confidential letter No. 67p, dated 1st June, 1912, to the address of the Vice-President of Regency Council, anent the proposed disbandment of the Cavalry Squadron of the Erinpura Regiment, I beg to invite a reference to Article 8 of Treaty dated 1st January, 1818, whereby the Durbar had undertaken to provide a contingent of 1,500 horse for the service of the British Government, whenever required; but when this contingent failed to satisfactorily perform the duty assigned to them in 1832, the obligation to furnish the contingent was commuted to an annual payment of Rs. 1,15,000 towards the Jodhpur Legion which was then raised. This Legion, having mutinied in 1857, was disbanded and its place is now supplied by 43rd Erinpura Regiment. This force was quartered at Erinpura presumably because the marauding bands of the Criminal Tribes and outlaws who infested Sirohi and Marwar border were a terror to the country. The strenuous exertions and strong measures adopted when I was the Musahib Ala of the State proved quite successful in suppressing dacoities and highway robberies and in weaning the members of the various Criminal Tribes from their lawless habits. It is very gratifying to see that the Criminal Tribes have now generally betaken themselves to peaceful modes of living and that the border now enjoys the blessings of law and order where anarchy and chaos reigned supreme.

Reasons like these have, this Durbar believe, led the authorities to propose the reduction of the Cavalry Squadron of the 43rd Erinpura

Regiment, and as the question is, I understand, now before the Right Honourable the Secretary of State for India, I beg to take this opportunity of submitting this representation which I trust will receive favourable consideration from the Supreme Government.

You are aware that the Sardar Rissala, which this Durbar have raised towards the defence of the Empire, has now attained considerable efficiency. In discipline, mount, mobility, equipment and loyalty to the British Throne they stand second to none. They have had the good luck to serve under the British flag on the N.W. Frontier and in China and have by their strict discipline and commendable behaviour attracted the attention of the British Officers who happened to be in command.

Their maintenance costs the Durbar about 5 lakhs a year and their services can, with the greatest pleasure, be placed at the disposal of the Supreme Government at a moment's notice, whenever required.

Now that 6 efficient squadrons, well mounted, fully equipped and properly trained, which the Durbar has raised for this very purpose, are available for service, and now that under the aegis of the benign Government, the country enjoys peace and tranquility, I venture to think that the loyalty and devotion of this Durbar to the Imperial Throne be signalled by modifying Clause VIII of the above treaty and exempting the Durbar from the annual payment of Rs. 1,15,000.

The grounds which actuate me to make this representation are:—

- (1) The obligation, as originally made to provide a contingent of 1,500 horse whenever required, can be more effectively and efficiently attained by utilising the services of the Durbar Imperial Service Troops.
- (2) The cavalry squadron of the 43rd Erinpura Regiment, for whose upkeep and maintenance the sum of Rs. 1,15,000 has partly, if not wholly, been contributed is now proposed to be abolished.
- (3) The Durbar, by exempting from Customs duty all commodities required for a bona fide consumption of the Regiment have, since 1868, annually made a sacrifice of a substantial portion of their Customs revenue.
- (4) The country enjoys undisturbed peace like the rest of India.
- (5) Such a favour shown during the minority of the Chief, when the State is under the direct management of the Government, will be highly appreciated by the other Durbars.
- (6) The loyalty and devotion of this Durbar are beyond question.

Having regard to all these circumstances, I, with the concurrence of the Council, beg respectfully to solicit due consideration to this representation and shall feel obliged if my friend the Honourable Sir Elliot Colvin will kindly see his way to lend his support to it and recommend it for favourable consideration of the Paramount Power.

ANNEXURE 5.

Copy of letter from the Government of India in the Foreign Department, to the Honourable the Agent to the Governor-General in Rajputana.

I am directed to address you on the subject of a proposal to de-localise the 42nd Deoli and 43rd Erinpura regiments.

2. Now that the two squadrons of these regiments have been disbanded, the Government of India are anxious to raise the standard of efficiency of the infantry units and to afford them every opportunity of training with other troops, which, owing to the isolated position of the two regiments, cannot at present be conveniently arranged. I am accordingly to request that, if you see no objection, His Highness the Maharao of Kotah and the Council of Regency Jodhpur may be consulted in the matter and their views submitted to the Government of India, at an early date, with an expression of your own opinion on the proposal. I am to add that in the event of the transfer of these regiments they would be replaced at Deoli and Erinpura by two other Indian Infantry regiments.

No. 5237, dated 30th October, 1913.

Copy forwarded to the Senior Member of the Council, Marwar State, for favour of submission of the Durbar's views on the proposal.

C. J. WINDHAM, Lt.-Colonel,
Resident, W.R. States.

ANNEXURE 6.

Letter No. 2156/C.D. 3, dated 16th January, 1914.

From the Vice-President, Regency Council, Marwar State, to the Resident, Western Rajputana States, Jodhpur.

With reference to your endorsement No. 5237, dated 30th October, 1913, asking for the Durbar's views on the proposal to delocalise the 43rd Erinpura Regiment, I have the honour to inform you that the Durbar have no objection to urge against the proposed scheme which would add to the regiment's efficiency.

Now that the proposal to delocalise the regiment is before the Government of India, the Durbar urge that the whole question of the annual contribution of Rs. 1,15,000 made by the Durbar for the upkeep of the regiment should be fully considered. This contribution was originally agreed to in lieu of a Legion of Horse and went towards the cost of the upkeep of a force associated with the Durbar by ties of tradition, sentiment and history. So long as the force remained under the direct authority of the Government of India, exercised through the Honourable the Agent to the Governor-General in Rajputana, these ties remained firm. When, however, the inevitable reorganisation of, and centralization of authority in, the Indian Army took place, the force was removed from the direct control of the Government of India, the exercise of authority by the Honourable the Agent to the Governor-General ceased, and the ties gradually loosened. The uniform of the Erinpura Regiment is now rarely or never seen in Jodhpur, it has ceased to provide guards in Jodhpur and in Mount Abu to the Honourable the Agent to the Governor-General, and its association with the Jodhpur Durbar is rapidly becoming a matter of vague tradition. Such slight ties as still remain will be entirely broken when the regiment moves out of Marwar territory and its vicinity, and the only association which will remain will be the annual payment of Rs. 1,15,000, a payment known to few people.

Under the above circumstances, I beg to invite a reference to the representations contained in H.H. the Maharaja Regent Sahib's letter

No. 1839, dated the 27th March, 1913, and to request, on behalf of the Durbar, that the Government of India may very kindly be moved for the remission of the said annual payment of Rs. 1,15,000.

ANNEXURE 7.

Letter No. 26 C.B./287-20, dated 15th September, 1921.

From the Resident, Western Rajputana States, Jodhpur, to the Political and Judicial Member, Regency Council, Marwar State, Jodhpur.

With reference to the correspondence ending with your letter No. 1201, dated the 9th April, 1921, regarding the proposed disbandment of the 42nd Deoli Regiment and the 43rd Erinpura Regiment, it has been represented to the Government of India that to keep order in the country side, to provide employment for a proportion of the Mina inhabitants and to preserve a potential source of recruitment, the retention of small local forces of some kind at Deoli and Erinpura, enlisting Minas and other local classes now in the regiments, is highly desirable.

2. It has been ascertained that the cost of detachments of 200 men at Deoli and 100 men at Erinpura, organised on the lines of the Mewar Bhil Corps with a British officer on Rs. 1,000 a month at Deoli and another British officer on Rs. 750 a month at Erinpura, would roughly come to Rs. 1,00,000 a year. The Government of India are now considering whether it would be feasible to create a force of the kind proposed, but they observe that as long as Government maintain any force at Erinpura they appear to be entitled to ask the Jodhpur Durbar to pay the actual expenses incurred upon it, up to the maximum of the annual contribution of Rs. 1,15,000. The sum which the Durbar would be called upon to pay is roughly estimated to be Rs. 33,000 a year.

3. I shall be glad to be favoured with an expression of the Durbar's views on the question of the proposed contribution. The favour of a very early reply is requested.

ANNEXURE 8.

Letter No. 101, dated 17th October, 1921.

From the Political and Judicial Member, Regency Council, Marwar State, to the Resident, Western Rajputana States, Jodhpur.

I have the honour to acknowledge the receipt of your confidential letter, No. 26 C.B. 287-20, dated the 15th September, 1921, on the subject of the conversion of the Marwar State contribution to the 43rd Erinpura Regiment (now disbanded) to the cost of the upkeep of a detachment at Erinpura. It is represented to the Government of India that the raising of this detachment is highly desirable on the following grounds:—

- (a) To keep order in the country side.
- (b) To provide employment for a proportion of the Mina inhabitants.
- (c) To preserve a potential source of recruitment.

2. In this connection I would beg to observe that when in 1913 it was proposed by the Government of India to delocalise the Erinpura Regiment, this Durbar asked that the Government of India would be pleased to consider the remission of the annual payment of Rs. 1,15,000, partly on the ground that this State would cease to have any direct connection with the regiment and partly because the spirit of the Treaty of 1818, as modified by the Agreement of 1835, was more than amply fulfilled by the maintenance of a body of Imperial Service Cavalry by the State for the service of the British Government, wherever required.

The matter was in this position in 1914 when, owing to military considerations, the question of the delocalisation of the Erinpura Regiment was postponed, and the outbreak of the War showed that the Jodhpur Durbar had in the Imperial Service Lancers an efficient force at the disposal of the Imperial Government for service where required. The cost to this State of the Imperial Service Lancers previous to the War was Rs. 5,00,000 on the average annually, and since the War Rs. 9,50,000.

3. In the beginning of the present year the Marwar Durbar were informed that it had been decided to disband the 43rd Erinpura Regiment and that the Durbar's representation in regard to the remission of the contribution on account of the 43rd Erinpura Regiment, made in connection with delocalisation of the regiment, was under the consideration of the Government of India. The Durbar expressed its acquiescence in the disbandment of the regiment, and as its case for the remission of payment gained force by the fact, made no further reference to the question of remission of contribution beyond an expression of gratification that the question was under the consideration of the Supreme Government.

4. The Durbar is now asked to contribute to the maintenance of a local force outside the limits of the State at an estimated annual cost of Rs. 33,000, but in no case to exceed Rs. 1,15,000, the old Treaty contribution, for purposes other than those for which the contribution was originally made, while at the same time, the State has shown its willingness and ability to maintain a force in accordance with the spirit of the Treaty in its Imperial Service troops.

5. In conclusion, I am to state that while the Marwar Durbar would prefer to utilize the contribution of Rs. 1,15,000, if remitted by the Supreme Government, on its Imperial Service troops, the Durbar is prepared to maintain a small local force at Sumerpur, in Jodhpur limits, recruited from the classes mentioned in your letter, for the maintenance of peace and order of that part of the country side, should such a force seem desirable in addition to the police and other forces already maintained by the State.

ANNEXURE 9.

Letter No. 324 of 1922, dated 25th January, 1922.

From the Resident, Western Rajputana States, Jodhpur, to the Political and Judicial Member, Council of Regency, Marwar State, Jodhpur.

I have the honour to refer to the correspondence ending with your letter No. 101, dated the 17th October, 1921, regarding the proposal to

utilize the contribution of Rs. 1,15,000 payable by the Jodhpur Durbar under Treaty towards the maintenance of a force of Minas under British officers to be stationed at Deoli and Erinpura, and to state that the Government of India have approved of the proposal to raise a force of 300 Minas. They consider that, in view of the disturbed conditions which now prevail, it would be unwise to leave Deoli and Erinpura entirely ungarrisoned, and that for the reasons stated in paragraph 1 of my letter No. 26 C.B., dated the 15th September, 1921, the raising of a corps of the kind proposed is eminently desirable.

2. In the opinion of the Government of India the contribution made by the Jodhpur Durbar under their Treaty can be utilized for the payment of the new force. This question is, in the main, a historical one, and the original documents seem to put the matter beyond doubt. Article 8 of the Treaty of 1818 ran as follows:—"The State of Jodhpur shall furnish 1,500 horse for the service of the British Government whenever required; and when necessary the whole of the Jodhpur Forces shall join the British Army, excepting such a portion as may be requisite for the internal administration of the country."

The arrangements made in the first part of this article proved unsatisfactory in practice, and on the 22nd September, 1835, His Highness the Maharaja of Jodhpur himself proposed, in a Kharita, of which a copy is enclosed herewith for ready reference, to make an annual payment of one lakh and fifteen thousand rupees in lieu of the contingent of horse. His Highness requested: "That the British Government would expunge so much of that article of the Treaty as related to these sowars, and never in future urge him to send them upon their service." The offer of substituting the money payment was accepted by the Government of India, who eventually directed that the annual sum of Rs. 1,15,000 payable by Jodhpur under the new arrangement to the support of a corps would be termed the Jodhpur Legion and be stationed on the common frontier of Jodhpur and Sirohi for the purpose of restoring and preserving tranquility in that disturbed quarter.

3. There is no mention in the Maharaja's Kharita or in the Treaty itself of any particular object to which the money was to be devoted. It was, for all that, the wording of the correspondence on the subject which took place in 1835-37 indicates, simply a cash commutation for specific military obligation. Further, the object on which it was proposed to spend the money was merely one out of many which might have been then put forward and the obligation on the Maharaja of joining the British Government when necessary, with all his forces was unaffected.

It may be admitted that the payment was intended as a contribution towards the cost of maintaining order and the general defence of the country, but so far as the proposal to utilize the money or a portion of it for the maintenance of a force of Minas under British officers at Erinpura and Deoli is concerned, the position seems to the Government of India to be unassailable.

4. The Government of India have given their best consideration to the arguments advanced by the Jodhpur Durbar and by the Resident on their behalf, but they have been unable to find anything in them which affects the historical accuracy of the position taken up in the preceding paragraph. They gladly take one more opportunity of

acknowledging the service rendered by the Jodhpur Imperial Service Troops in recent years. The efficiency of the Jodhpur cavalry at the present day is beyond dispute, and the Government of India have noted with satisfaction the offer of the Durbar to maintain a force of Minas at Sumerpur. The employment of State troops, for the preservation of order, however, must be confined, as a rule, to the State to which they belong. What is wanted is a disciplined force available for the purpose wherever required, and the Treaty justifies the Government of India in maintaining such a force at the expense of the Jodhpur Durbar up to the limits fixed by its terms.

The Durbar have urged as a ground for the remission of their contribution, the fact that the new force will not be located within the State. But the Government of India observe that it was out of deference to the wishes expressed by the Durbar itself in 1836 that the corps was originally cantoned beyond the borders of the State.

5. The question whether any portion of the contribution could be refunded would more properly be considered by the Government of India when they are in possession of fuller details in regard to estimates of cost, including those for initial non-recurring expenditure. They, however, desire to make it clear that the terms of the Jodhpur agreement, in their opinion, leave them free to utilize the whole amount for any purpose connected with the discharge of their responsibility for defence and the maintenance of internal order. The refund of any portion of the contribution would be an act of grace which the Government of India fear they might find it difficult to justify under existing conditions.

ANNEXURE. 10.

Letter No. 1550, dated 1st July, 1922.

From the Political Member, Council of Regency, Marwar State, to the Resident, Western Rajputana States, Jodhpur.

I have the honour to acknowledge the receipt of your letter, No. 324, dated the 25th January, 1922, stating that the Government of India have approved the proposal to raise, in view of the disturbed state of the country, a force of 300 Minas to garrison the Military Stations of Deoli and Erinpura, and that the Government of India consider, mainly on historical grounds derived from the Treaty of 1818, that the cost of the maintenance of this force is a right charge against the Jodhpur Durbar under the terms of the Agreement of 1835.

2. The Agreement of 1835 is a modification of Article 8 of the Treaty of Alliance of 1818 between the East India Company and Maharaja Maun Singh of Jodhpur, by which the State engaged to furnish fifteen hundred horse for the service of the British Government whenever required. It is obvious that it was then intended that the State should maintain this force, presumably of its own subjects and within its own borders, to be at the disposal of the Imperial Government whenever required, in almost the identical condition by which the State voluntarily maintained its Imperial Service Troops and now maintains its "State Force."

It may here be noted that while the State was actually maintaining the force under the Treaty it entered into an engagement in 1824 (No. LV) to pay for a limited number of years the sum of Rs. 15,000 per annum for the upkeep of a corps to police Marwar, distinct from

the force of fifteen hundred horse kept in the State ready to support the British troops in the field.

3. It does not appear that the Treaty forces were called upon to operate with British troops until 1832, when, in consequence of their inefficiency in the operations against Nagar Parkar, Maharaja Maun Singh, entered on the Agreement of 1835, for the payment of Rs. 1,15,000 annually in lieu of maintaining the contingent, and with that sum the Jodhpur Legion was raised by the British Government and stationed at Erinpura, then claimed by the State to be within its own territories.

The Legion was replaced after the Mutiny by the Erinpura Irregular Force and subsequently by the Erinpura Regiment, which formed part of the British Field Army through a localized battalion.

4. When in 1912, it was proposed to abolish the squadron of cavalry forming part of the Erinpura Regiment, and again in 1914, when it was proposed to delocalize the regiment, this Durbar, which was consulted regarding the proposals, asked that in view of its Treaty obligations being fulfilled by the maintenance of the Imperial Service Lancers, whether the Government of India would not relinquish its claims to the cash payment under the agreement, and it was only in deference to the wishes of the Government of India owing to the outbreak of the War, that the Durbar's claim for remission was not then urged.

5. The Erinpura Regiment has now been disbanded and it was first proposed to raise a small force to be stationed at Erinpura to take its place with the object of keeping order in the country side, providing employment for a proportion of Mina inhabitants, and preserving a potential source of recruitment for Imperial Forces. None of these objects appear to this Durbar to come within the spirit of the letter of the original Treaty, while by the expenditure of the not inconsiderable sum of Rupees one crore and seventy-six lakhs during the last 33 years on the Jodhpur Imperial Service Cavalry, and by the maintenance of an admittedly efficient body of horse for service with Imperial Forces, the Durbar, on its part, would seem amply to have fulfilled its obligations under the Treaty.

6. This Durbar would further urge that, while it is and always has been prepared to come to the aid of the Imperial Government with all its available forces, to keep order in the country side outside its own borders does not appear to be part of its obligations, and that if such obligation does not rest on the Imperial Government, it would seem to rest on the States concerned, and that the Marwar State should not be called upon to police its neighbours either directly or by means of a subsidized force.

7. The Jodhpur Durbar has recently evinced its sincere desire to assist to the best of its power in the heavy burden of Imperial defence and at the suggestion of the Government of India has formulated proposals, without regard to Treaty limitations, for the allotment of 10 per cent. of the average gross income of the State (or about Rs. 10,00,000 per annum) to the maintenance of efficient State Forces, all available for service at the call of the Imperial Government after the requirements of internal administration have been satisfied. The Durbar would regret the necessity to modify these proposals, made

in expectation that the contribution under the Agreement would be remitted, should the Government of India be unable to reconsider their decision conveyed in your letter.

8. Finally, in a recent speech, His Excellency the Viceroy expressed to the Chamber of Princes his intention of abiding by the spirit as well as the letter of the Treaties with Indian States and the history of this very contribution shows that this Durbar has always been willing to modify its strict obligations at the desire of the British Government so that the spirit rather than the letter of the Treaty should be carried out.

The Treaty of 1818, which provided for the maintenance by the State of a certain force of horse whenever (and not wherever) required in support of British troops, was modified by the agreement of 1835 to a cash payment for a strictly localized force at Erinpura, then claimed by the Marwar Durbar, and it does not appear consonant with the spirit of the Treaty even as amended by the Agreement, that the payment should now be regarded by the Government of India as one without stipulation to be applied at its discretion in whole or in part to the maintenance of a police force at any place such as Deoli, however distant from the State and with which the State has no concern. It also appears from your letter that the Government of India has not decided to what purpose the balance of the Agreement contribution of Rs. 1,15,000 after the cost of the force of the 300 Minas has been met, is to be devoted.

8. I have the honour to request that you will be good enough, if you think fit in view of the above representations, to move the Government of India to reconsider the decision conveyed in your letter not to remit the contribution.

ANNEXURE 11.

Letter No. 2843/287-1920 of 1922, dated 3rd October, 1922.

From the Resident, Western Rajputana State, Jodhpur, to the Political Member, Council of Regency, Marwar State, Jodhpur.

I have the honour to state that the Durbar's request contained in your letter, No. 1550, dated the 1st July, 1922, asking for reconsideration of the orders of the Government of India regarding the remission of the cash contribution payable by the Durbar in lieu of the contingent of horse furnished in accordance with the provisions of Article 8 of the Treaty of 1818, was duly communicated by the Honourable the Agent to the Governor-General in Rajputana for consideration.

2. The Government of India have replied that they regret that they do not find anything in the Durbar's representation which affects the accuracy of their reading of the history of the contribution made under the agreement of 1835 and that they do not feel that they would be justified in acceding to the Durbar's request for a total remission.

ANNEXURE 12.

Letter No. 132—C. of 1924, dated 6th June, 1924.

From the Resident, Western Rajputana States, Jodhpur, to the Political and Judicial Member, Marwar State Council, Jodhpur.

Jodhpur Durbar's contribution to the Mina Corps.

I have the honour to refer to the correspondence ending with this office letter, No. 2843, dated the 3rd October, 1922, and to say that the Honourable the Agent to the Governor-General further represented the case of the Jodhpur Durbar to the Government of India and recommended that even if the Government of India were not prepared to go further in the matter of remission of the cash contribution payable by the Durbar in lieu of the contingent of horse furnished in accordance with the provisions of Article 8 of the Treaty of 1818, they should, at any rate, refund to the Durbar the difference between the amount of their contribution and the cost of the upkeep of the Erinpura Detachment of the Mina Corps, the only object upon which the Jodhpur contribution is, in actual fact, expended. In doing so he forwarded figures of expenditure upon the Mina Corps for the first year of its existence, viz., 1st April, 1922, to 31st March, 1923. The figures showed that the total expenditure amounted to Rs. 1,93,000, exclusive of the Public Works Department expenditure.

2. The Honourable the Agent to the Governor-General said that if the Government of India are agreed in principle to the refund, the only question remaining for determination was the amount, subject to any latter adjustment that may be thought necessary, that should be refunded to the Jodhpur Durbar. In calculating this, the Honourable the Agent to the Governor-General observed that the Rs. 5,000 contributed by the Tonk Durbar should be excluded. The nett cost would accordingly be Rs. 1,93,000 less Rs. 5,000 equal to Rs. 1,88,000, plus the Public Works expenditure. Of the total strength of 300 men a detachment of 100 is stationed at Erinpura and thus the Jodhpur share of the expenditure may be taken at 1/3rd of the total expenditure or Rs. 62,666. To this must be added a sum of Rs. 18,390 expended on Public Works at Erinpura. The total Jodhpur share of the cost of the Mina Corps, therefore, amounts to Rs. 81,056, and the balance which should be refunded to the Durbar is thus Rs. 1,15,000 minus Rs. 81,056 = Rs. 33,944.

3. In reply, the Government of India have accepted the proposal made by the Honourable the Agent to the Governor-General and have sanctioned the refund to the Jodhpur Durbar, as an act of grace, of the unexpended balance of Rs. 33,944 of their contribution towards the upkeep of the Mina Corps for the year 1922-1923. In doing so, however, the Government of India have stated that the Durbar will continue to be liable for the payment of the full contribution of Rs. 1,15,000 should that sum be required by Government for the upkeep of the Mina Corps and also that the Government of India are unable to admit the State's right to question the accuracy of the accounts or of the basis of calculation of the amount refunded.

4. The Government of India further observe that the statement of expenditure forwarded by the Honourable the Agent to the Governor-

General included only the direct charges connected with the Mina Corps and that for the purposes of refund of the unexpended balances the pensionary charges of the corps must also be included. That the cost of the Corps should be taken to be the audited expenditure as certified by the Audit Officers concerned and any readjustment which may be necessary in respect of the refund for the year 1922-23, on the above basis will, therefore, be made when the amount of refund for 1923-24 is determined.

BANSWARA.

I am suggesting to the Standing Committee of the Chamber of Princes that they may kindly include Banswara's case.

JAISALMIR.

The advisability of reducing to minimum interference in internal affairs of Indian States in general and of reposing fuller confidence in their loyalty is suggested.

RAMPUR.

(i) *Lime-Stone and Charcoal.*

The Rampur Durbar used to import as much limestone from the Terai as it required and the Political Agent, in 1851, recognised this right. In course of time, however, this right has dwindled down to 2,500 maunds of limestone and 1,400 maunds of charcoal. The Durbar requests that this old right should be restored.

(ii) *Irrigation.*

Under letter dated 31st December, 1847, from His Honour the then Lieutenant-Governor, U.P., the Rampur Durbar is entitled to half the waters of the rivers flowing into the State from British India. But we do not receive full share of waters to which we are entitled.

(iii) The Durbar should also receive on the basis of population, a share in the revenue derived by the Government of India from Railways and the Income Tax.

TRIPURA.

BARWANI.

The States desire to bring forward a variety of questions, both political and economic, as part of the general case to be presented before the Committee.

MORVI.

The Morvi Durbar desire to bring to the notice of the Committee certain disabilities affecting the vital interests of their Adhoi Mahal which has been guaranteed by the British Government from time to time.

2. The Morvi State consists of territory in Kathiawar as well as in Cutch. The Province of Cutch is divided into two distinct States, the Bhuj State and the Morvi State in the Adhoi Mahal. Both the States are absolutely independent of each other and possess plenary powers.

3. And yet, the Cutch State claims to levy an ad valorem duty of 11½ per cent. on goods in transit by land from its Adhoi Mahal to the parent State and *vice versa* in spite of Treaties and Government decisions to the contrary.

The Position of the Two States.

4. As will appear from the genealogy given in the earlier part of the Memorandum, the rulers of Morvi belong to the elder branch of the Jadeja dynasty. In A.D. 1697-98 Rao Raedhunji, the then Ruler of Cutch, died. His elder son Rao Rawaji was murdered by the younger brother Pragji who usurped the Gadi. Kayaji, the son of the murdered Prince, waged incessant wars against his uncle and was able to recover the greater part of the Wagad division of the Province, which he gave in appanage to his several sons, reserving Morvi and the Adhoi Mahal for himself. It is for the protection and normal development of this Adhoi Mahal, the only cherished possession left to the senior branch out of the whole Province, that the present appeal is made to the Paramount Power.

5. The title of the Morvi State to such protection rests on the following solid grounds:—

- (1) Colonel Walker's engagements of 1807.
- (2) The Treaty of 1819.
- (3) The services rendered to the British Government in the affairs of Cutch from 1815 to 1818.
- (4) The guarantees given from time to time.

6. When Colonel Walker treated with the Kathiawar States in 1807-08, his guarantee to the Morvi State included the Adhoi Mahal. It runs:—

“Whereas a settlement of your tribute on account of the Taluka of Morvi and the Parganahs of Tankara and Adhoi has been made through the Sarkar . . . therefore be confident, make your Taluka populous, etc.”

7. It may be noted here that the state of possession and power as it existed at the time of Colonel Walker's settlement has been guaranteed and no departure from it is ever permitted (Aitchison Treaties Vol. VI, Ed. of 1892 p. 180).

8. In Cutch, the year 1819—the year of the Treaty—is regarded and acted upon in the light of the statute of limitation. The status existing at the time of the Treaty must be maintained inviolate.

9. In 1831, therefore, when the Cutch State attacked the independence of the Adhoi Mahal, the Government of Bombay, in their Resolution dated the 20th April, 1835, declared:—

“4. . . . Colonel Walker's guarantee of 1st December, 1807, granted to the Thakore of Morvi, the State of Cutch from that date to 1815-16, when we entered Cutch, the circumstances of that invasion, the aid afforded as on the occasion by the Thakore and the 16th Article of the Treaty of Bhuj, dated the 13th October, 1819, furnish altogether ample ground for considering the British Government bound to secure to the Thakore all his possessions on the Cutch side of the Runn as he enjoyed them in 1815.

* * *

“7. . . . The Rao can exercise no act of sovereignty over the Thakore . . . the Thakore being deemed to hold all his possessions on the Cutch side of the Runn, as entirely independent of the Rao as if they are situated in Kathiawar.

* * *

“9. The position of the Thakore with regard to the Rao being settled as above decided, the Honourable the Governor in Council . . . is pleased to decide that he shall in future be held to be subject to the Political Agent in Kathiawar . . . as regards his possessions on both sides of the Runn, as entirely, as if they were all situated in Kathiawar.”

10. As His Highness the Maharao still persisted in his claim to sovereignty over the Adhoi Mahal, a Commission was appointed presided over by J. G. Lumsden Esq., in December, 1840. As a result of the very elaborate and exhaustive inquiry made by the Commission, Government were pleased to decide (Government Letter No. 150, dated 17th January, 1843):—

“2. After careful and deliberate consideration of the numerous facts adduced in support of the claim of the Thakore of Morvi, the Governor in Council is decidedly of opinion that the independence of Adhoi and its dependent villages . . . of the sovereignty of the Rao is fully established and that the British Government is bound to declare and maintain it.”

* * *

“4. With reference to the Morvi Thakore's possessions in Wagur I am desired to inform you that that Chief will stand in the same position to the British Government in respect to them as he now does in respect to those in Kathiawar.”

11. And the Hon. the Court of Directors confirmed the above decision (Despatch No. 14 dated the 20th September, 1843, para. 9).

12. So recently as the year 1900 His Majesty's Secretary of State, in his Despatch No. 13, dated 8th February, 1900, para. 5, once more affirmed this position in the following memorable words:—

“Although His Highness the Thakore Saheb of Morvi owns smaller territories than those of His Highness the Rao of Cutch, the difference in the position of the two Rulers is not one of

kind, but of degree. Each of them is entitled to the same measure of protection from Her Majesty's Government."

13. After the Sovereignty of the Morvi State over the Adhoi Mahal was thus declared in 1843, several other questions arose between Cutch and Morvi which were referred to a strong Commission presided over by the residents of Cutch and Kathiawar and a third independent officer. One of the questions referred to the Commission was Cutch Durbar's attempt to levy duty at Shikarpur on grain passing between Adhoi and Morvi, the very question to which the Honourable Committee's careful attention is respectfully solicited.

14. Government's instructions to the Commission on this question were clear and specific. In their letter No. 221 dated the 17th January, 1848, they directed:—

"Any customs, chowkee or levy of duty by His Highness the Rao, directly affecting the possessions of the Thakore of Morvi in Wagur, and which has been instituted subsequently to the Treaty of 1819, should be discontinued. And this rule will apply not only to the abolition of duties, but to the diminution of any rates, which may have been increased, beyond those existing at that period."

15. It will be observed that the principle is reaffirmed that the status existing at the time of the Treaty of 1819 should be maintained. Government specifically directed that:—

1. Any customs . . . etc., instituted subsequently to the Treaty of 1819 should be discontinued.
2. That if increased beyond those existing in 1819 should be diminished.

16. It was found by the Commission that Cutch had increased the duty at Shikarpur from Koris 3 per cart to 5 Koris. They therefore recommended that the increase should be diminished to Koris 3, which was the rate existing at the time of the Treaty of 1819.

17. Acting upon this principle Government were pleased to decide (Government letter No. 2931 dated 17th June 1850):—

"74. Under the head A1 the Commission have reported the result of their inquiries relative to the transit duties leviable by the Rao of Cutch on goods passing between Adhoi and Morvi and in reference to this subject have proposed the following rules:—

- "1st. That the Rao of Cutch may levy at Shikarpur transit
- | | |
|---------------------------------------|---|
| Three (3) Korees on a cart load. | duties on goods at the rates enumerated in the margin and that should |
| One (1) Koree on a camel load. | goods be taken by Lulliana, the Rao |
| Half (½) Koree on a bullock load. | is entitled to duty, but one duty |
| A quarter (¼) Koree on a donkey load. | should be collected on the same goods. |

"2nd. That the Thakore of Morvi may collect duties in Adhoi, Gurana or Wustwa, but only one duty on the same goods.

"3rd. The articles to and from Adhoi and Morvi for the private use of the Thakore may pass duty free on application, a form for which is laid down."

18. This decision was confirmed by the Honourable Court of Directors by their Despatch, No. 29, dated 23rd October, 1850, para. 3, who, in para. 6, again re-affirmed the principle, laid down by them, of maintaining the status existing in 1819. They observed:—

“Your decisions in these cases were generally in favour of Morvi and were grounded on the principle laid down by us, that of maintaining the status in existence at the Treaty of 1819.”

19. Besides maintaining the principle, both His Highness of Cutch and His Highness of Morvi were informed that “the decisions now passed . . . are final, and that under no pretext whatever will Government permit any of them to be re-opened.” (Government Letter No. 2932 dated 17th June, 1850, para. 4.)

20. Yet this is precisely the point which has been re-opened to the prejudice of the Morvi State. The decision of 1850 has never since been reversed or modified in the smallest degree. It stands or should stand to-day as valid as when it was pronounced. The relative position and the relative rights of Cutch and Morvi were authoritatively declared to be that Cutch could never, under any circumstances whatever, levy at the village of Shikarpur, upon the goods of Morvi subjects in transit from Morvi to Adhoi and vice versa, more than the small sums proved to have been levied in 1819. And this decision was solemnly and emphatically clothed with a finality. There can thus be no question at all but that the Cutch State has no conceivable right whatever, under whatever name it may choose to disguise the levy, to impose a heavier tax, heavier by a single pie, than that which was determined and allowed in 1850.

21. Notwithstanding the clear orders of Government in 1850, the Cutch State attempted to levy what it called a frontier duty, at 2 per cent. *ad valorem* in addition to the above transit duty. It argued that the Commission of 1848 treated the question of transit duties only and that the question of Dan or frontier duty was not before the Commission. Government by their Resolution of 6th March, 1860, disallowed the claim of the Cutch State to impose this “Frontier duty” and laid down a further principle of capital importance. They ruled that the Cutch State could, in no circumstances, under no diversity of names, or upon any pretext, levy more than one duty at Shikarpur or Lulliana upon the goods of Morvi’s subjects in transit from one part of its dominions to another: and since that one duty had been exactly defined, that was and must remain the limit of Cutch’s right to tax the goods of Morvi subjects in transit. No attempt was ever made to upset this decision. It stands as valid to-day as when it was pronounced. So does the decision of 1850.

22. In 1864, the Princes and Chiefs of Kathiawar, upon the strong recommendation of Government agreed to abolish transit duties which were felt most injurious to trade. Pursuant to this policy transit duties were abolished by both Cutch and Morvi in the Cutch Peninsula in 1873. Thus, from 1873 onwards, no transit duty of any kind was to be levied on Morvi goods at Shikarpur or Lulliana.

23. An attempt was made in 1887, to levy a duty of 11½ per cent. on goods passing by the land route via Shikarpur, but the Political Agent, Cutch, on the strength of the Government decisions of 1850, 1860, 1873

and 1879, disallowed it, saying that the goods were in transit from Morvi to Adhoi and that they were not to be taken into Cutch State territory for consumption.

24. And yet the Cutch State has again been levying duty at 11½ per cent. *ad valorem* on goods passing between Adhoi and Morvi by the land route via Shikarpur, thus taking away by one stroke a substantial portion of the income of the State and its subjects of the Adhoi Mahal.

25. It may be mentioned here that in 1887 and again in 1892 Commissions were appointed, the first presided over by Mr. (afterwards Sir J. A.) Baines and the second by Mr. R. M. Kennedy, for the exchange of certain interests of Cutch on the Kathiawar coast and certain Morvi interests in Cutch. It is not necessary to encumber this memorandum with any details. It will be sufficient to say that both Government and the Commissioners, before commencement of the proceedings, gave solemn assurances that questions previously decided would not be allowed to be reopened.

26. Again, when before Mr. Kennedy's Commission the Morvi State referred to this right of trade between Morvi and Adhoi via Shikarpur, Cutch argued and the Commissioner ruled that "The traffic between Morvi and Adhoi by the land route via Shikarpur . . . is completely beyond the scope of the Commission."

27. Yet when the Morvi State approached the Government of India against this revival of the levy of 11½ per cent. *ad valorem* duty at Shikarpur, in 1903, the Government of India were pleased to say (letter of the Political Agent, No. 1463, dated 1st November, 1907):—

"Although the question of duties levied at Shikarpur was *excluded from settlement* effected by Mr. Kennedy, the latter officer *believed* that the Cutch Durbar had an undoubted right to levy such duties."

28. It is respectfully but earnestly contended that this mode of disposing of Morvi's complaint entirely ignores all its most solid foundations, the pledges, treaty obligations and guarantees of Government beginning with 1807, and solemn decisions based on those obligations and guarantees. His Highness of Cutch has every power to tax his own subjects in his own way. But he has no right whatever to tax Morvi subjects in the carrying on of trade strictly confined to Morvi's own dominions, with the sole object of killing that trade, and so materially reducing the legitimate trade returns, the concomitant prosperity and Morvi's sovereign and independent rights to rule and regulate the internal economy of the State.

The Services rendered to the British Government.

29. It is respectfully submitted that the Morvi State has a higher title to the protection of the British Government for services performed for them "at a period of our rule in this part of India when circumstances rendered them essentially useful." (Willoughby, para. 62.) Reference has been made in the earlier part of this memorandum about the nature of the services and the sentiments with which they were regarded both by Government and by their

eminent representatives. It will not, therefore, be proper to trouble the Committee with a repetition of them here, beyond requesting their attention to pages 11 and 12 above.

30. There are other disabilities which prevent the State from providing the same facilities of modern civilisation to the Adhoi Mahal owing to the policy of the Cutch State and which impede its normal development. These will be submitted to the arbitration of Government. But the question which presses most on the State and its subjects is the duty which the Cutch State levies on the traffic between its Adhoi Mahal and the parent State, by the land route via Shikarpur, and it is earnestly hoped that, in virtue of the treaty obligations and the protection of His Majesty's Government to which the Morvi State is entitled, the Committee will be pleased to recommend to the Paramount Power the maintenance inviolate of the Government decisions of 1850, 1860 and 1873 regarding the goods passing between Adhoi and Morvi via Shikarpur.

31. The Committee are well aware that no transit duty now exists in India, every State having abolished it for the last 50 years, at the earnest desire of Government. Cutch is the only State which has revived it. There are many States in Gujarat and Kathiawar having scattered territories. The Nawanagar State has the village of Virvav which is surrounded by Morvi territory. The Amreli and Dhari districts of Baroda are surrounded by Kathiawar States; their districts of Petlad and Gandevi are surrounded by British territory. There are numerous instances of such interlacing territory. But no duty is levied by any State on goods of another state passing through its territory. And yet a duty of $11\frac{1}{2}$ per cent. is levied by the Cutch State on Morvi goods passing, by land, between Adhoi and Morvi, through the intervening Cutch territory. The Cutch State does not call it transit duty, but gives it different names, such as frontier duty, customs duty, etc. It is clear that it is a transit duty, pure and simple, whatever name Cutch may choose to give it. The Committee, however, will have seen from the clear instructions given by Government to the Commission of 1848 that the question for its investigation was "any customs, chowkee or levy of duty," and that the question specifically referred to it was the very question now sought to be re-opened, viz.: "levy of duty at Shikarpur on goods passing between Adhoi and Morvi." Government decisions of 1850 and 1860 are conclusive on the point. Thus, by clear decisions of Government and by the practice prevailing all over India, the Adhoi Mahal of the Morvi State is entitled to protection. It is hoped that the Committee will, with all the weight of their authority, recommend the case to the Paramount Power for their favourable consideration.

PUDUKKOTTAI.

We would also add that in any financial arrangement that may be made as a result of the deliberations of the Committee we should be allowed to continue the privilege of not making any contribution or subsidy to the Paramount Power as the right of not paying any tribute to the Government was one conferred on us for the meritorious and loyal services rendered by the rulers of the State in the past.

RADHANPUR.

Limitation on the Sovereign Powers of the State.

The State enjoys first class jurisdiction but its powers have, by executive orders, been limited to trying for capital offences any person except British subjects. The limitation has attempted to circumscribe the State's power to try British, Indian and European subjects who have committed offences within the State limits and thereby restricts and interferes with the functions of State sovereignty.

Inequality of arrangement in Extradition.

Under the present arrangement with the Agency, extradition and surrender of criminals is made in case of all offences under the Penal Code. The procedure is that the State has to prepare a prima facie case and submit it to the Political Agent for sanction, who holds absolute authority in the matter of sanction or refusal. In the last year it was found that out of 21 cases sent to the Political Agent, only 11 cases were sanctioned by him, and the rest were refused. No detailed orders are passed and the only reply communicated to the State is that the Political Agent does not see that a prima facie case is established, and he refuses to sanction it. This is not fair. Full reasons should be recorded specifying what particular evidence is found insufficient by him, and an appellate Court should be established in case of a difference of opinion between the Political Agent and the State. To cite a recent instance:—a case has occurred in which there is a cross case by the people of a village of this State against the residents of a neighbouring Agency village. Prima facie cases were sent up to the Political Agent by the Radhanpur State as well as by the Agency State for surrender of accused persons. The Political Agent refused the application of this State and sanctioned that of the other. This is a very serious injustice done to the State and something must be done to remedy such defects and safeguard the interests of the State and its subjects particularly in case of cross complaints.

Restriction of Arms and Ammunition.

There is at present considerable restriction by Government on the purchase of arms and ammunition. No arms or ammunition can at present be imported into the State without permission and grant of license from the Political Officers. The policy of the Government in the matter of proper equipment of the armament to the State Paltan and the Police (vide Government of India Orders of 1922) is also very conservative and is calculated to furnish insufficient assistance to the State in its obligation to preserve internal security and peace and order particularly under abnormal conditions due to the activities of the dacoity, etc. The State has, therefore, to represent that there should not be such strict restriction and the State should be allowed to freely purchase arms and ammunition required for the State purposes.

SAMTHAR.

The State also endorses the general case brought forward by the Standing Committee of the Princes so far as it is in conformity with the above.

TEHRI-GARHWAL.

From the special conditions obtaining in the Tehri State in the absence of towns anywhere in the State and the friction which has often resulted in the past between the ruler and his brothers by living together at one place at Tehri, it would conduce to the happiness and mental satisfaction of the ruler, if he were permitted to settle his younger sons by purchasing for them property in British India without restriction.

BANSDA.**SACHIN.**

Nothing in particular except what the States collectively demand through their special organisation.

DANTA.

I have nothing to add to what may be represented by the other States.

MAIHAR.

Any other questions may be put forward by the Standing Committee of the Chamber of Princes and its Counsel on behalf of this State before the Indian States Committee.

SANGLI.

The Sangli State desires to bring forward certain questions as regards Railways and the compensation due to it for abolition of its transit duties.

Altogether three railways pass through the territory of the Sangli State; (1) The Poona Bangalore line of the Madras and Southern Maratha Railway; (2) The Miraj-Pandharpur Extension of the Barsi Light Railway, and (3) The Sangli State Railway from Sangli to Miraj.

The Government of India encourage the investment of funds by States in railways constructed within State territories and are prepared to accept contributions from States for these Railways on the basis that the net earnings or losses of the Railways shall be divided between Government and the States concerned in proportion to the capital contributed by each (*vide* Resolution of the Government of

India, Foreign and Political Department No. 202 of the 6th December, 1923). The length of the Madras and Southern Maratha Railway within the territory of the State is nearly 34 miles and the State is interested in a further length of the line contiguous to its territory. If additional funds are required for the working of the line, the State prays, on the principle given above, for permission to contribute those funds to the further capital required for the railway on a profit sharing basis to the extent of the proportion which the length of the line within its territory bears to the whole length of the line.

It happens in some cases that States, especially the smaller ones, on account of their limited resources find it difficult to meet the demand for their contribution at the time it comes. The result sometimes is that they are liable to lose the benefit of the liberal provisions of the aforesaid Resolution of the Government of India. It would be gracious on their part, if they were to give a few facilities to the States on such occasions such as a sufficiently long notice and loans at a moderate rate of interest and even to allow the share of the capital due from the States to be recovered from earnings of the railways concerned.

The aforesaid Resolution of the Government of India allows States to participate in the management and construction of a line passing through their territory subject to the conditions given therein. This right of theirs should be duly affirmed so as not to be left in any doubt and be given effect when the States may desire it in respect of any line passing through their territory.

The Sangli State Railway belongs to the State. It should not be deprived, because it happens to have a very small length, of any rights, privileges and concessions granted to other railways owned by the Indian States. The State with its limited resources cannot afford to lose any advantage, however small, which any State-owned railway can have.

It would be a great encouragement to the States and their subjects if the liberal spirit of the Resolution of the Government of India referred to above were still further extended and certain posts in the cadres of the Railways passing through their territories were reserved for their subjects who, on their nomination by the States, should be afforded every opportunity of acquiring by training the necessary qualifications.

Transit Duties.

In 1837, Government abolished transit duties throughout the country and caused inquiry to be made with a view to awarding compensation to the Sangli State which suffered by the change. It appears from West's Memoirs of the States of the Southern Maratha Country that the Sangli accounts relating to this subject were accordingly laid before Government, who decided in 1843 that the sum of Rs. 6,211-1-11 should be paid annually as compensation to the State, being two-thirds of the amount said to have been realised by it on account of transit duties, pending a more complete inquiry into its claims. Mr. Chapman, the officer who undertook this more complete inquiry, regarded the statements which had been produced before as fraudulent, and he also found those produced before himself, as the accounts on which the original statements were founded, to be forgeries, in consequence of

which an over-payment of Rs. 76,821-8-5 was declared to have been made by Government. This amount was subsequently refunded to the Government, who, however, stopped payment even of the compensation that was actually found to be due. Mr. Chapman considered one Babu Shahapurkar to be the principal culprit in this case. But the then Political Agent and his successor both considered the evidence against him insufficient to prove his complicity in the frauds. Whatever was the guilt of any of the officials, Captain West, who cannot be accused of mincing any matters against the State, does not suggest the complicity of the Ruler. The inquiry of Mr. Chapman was, in fact, held during the minority of the then ruler. Under the circumstances the consequences of whatever fraud there was should not have been visited on the State. The State is entitled to a continuance of the sum found due to it as compensation for the abolition of the transit duties in consideration of the loss it has suffered.

WANKANER.

The States have a variety of questions, both political and economic to put forward as part of the general case to be presented before the Committee. This will be done by Sir Leslie Scott.

But for the States of Kathiawar there stands foremost a question which the Indian States Committee will have to consider. It arises from the faulty classification of States which has recently been done away with and had its source in Colonel Walker, the representative of the British Government with whom the States of Kathiawar entered into the famous settlement, having allowed certain land-owning persons to be classed as non-jurisdictional Talukdars on their agreeing to pay separate tributes, though their estates originally formed part and parcel of relative States and were within their jurisdiction. For a clear elucidation of the question a note regarding the constitutional position of the States of Kathiawar is prepared and is hereunto attached as Appendix E. It will be seen therefrom and especially from the view expressed by the Counsel for the Secretary of State in the celebrated Privy Council Case of Hemchand Raichand Vs. Sakarlal Chhotamlal that the Agency undertook to exercise this part of the States' jurisdiction for the preservation of peace and in view of its opinion that the States were then unable to exercise it for themselves. It was a clear understanding that this was to be restored as soon as the States became qualified to exercise it. Such a jurisdiction of which Wankaner State was then deprived was in respect of the marginally noted* non-jurisdictional Talukas but it should have been restored to it as soon as the Province had emerged from the chaos and the State had established regular Courts of Law and were found able to exercise the jurisdiction without any disturbance of peace. The Wankaner State urges that the above Talukas which should have long ago been restored to it require to be placed under its jurisdiction as they originally stood.

* Anandpur, Bamanbore, Bhimora, Chobari, Mewasa, Sanosara.

Other specific instances amounting to the disregard of pledges given by the Paramount Power to which the Wankaner Durbar wish to invite attention of the Committee are the following:—

- (1) One of the terms of the settlement bond entered into by the State with Colonel Walker is as under:—

If in any year my country be affected by any heavenly or earthly calamities Government would forego (this).

The above clause clearly means that in such years no tribute can be demanded from the State, but the term is not being faithfully and fully observed in all such years.

- (2) The reservation which deprives the Wankaner State of its right to try without permission a person who is not a subject of the State for a capital offence committed within its limits is a clear encroachment upon the sovereignty and independence of the State that were secured to it. The grievance is aggravated by a ruling of the Agency that a policeman of the Agency Police Force cannot be tried in State Courts for offences committed within the State, although the offence was committed by him while not on duty and although he may be a subject of the State in which he committed the offence.
- (3) The introduction of the principle of "Life Interest" under Notification No. 2714/I.A. of the Government of India, dated the 2nd June, 1900, strikes at the root of the independence of the Kathiawar States, destroys their credit and contravenes the guarantees and pledges that secured to them independence and absolute sovereignty over their territories.
- (4) The deprivation of the Wankaner State of its land for Morvi Railway purposes, without any return or concessions, at the time the State was administered by Government followed, as it was, by obtaining cession of jurisdiction on the Railway line and of controlling the Police administration on it, is a clear infringement of which the State can justly complain. The grievance is accentuated by the recent requisition of the Agency calling upon the State to guard the line in times of disorder.
- (5) Restrictions on the issue of arms and ammunition to the State Forces point to the policy of want of confidence and trust. This is not only galling to the Princes themselves, but has been the source of weakening the effective strength and its partial emasculation. Accordingly they require to be withdrawn. Similarly restrictions and difficulties thrown in the way of their possession, purchase and importation of arms and ammunition, even when required for the personal use of the Princes have produced an effect vitally affecting their prestige and dignity and require to be set right.
- (6) The procedure requiring sale and mortgage deeds between the Durbar and their Bhayats or Mulgirasias to be registered in the Agency Courts instead of in the States Courts is uncalled for. The practice recently adopted of going into questions of considerations and generally impugning the integrity of the transactions is beyond the scope of the Agency duty.

- (7) The procedure for proving *prima facie* cases for the surrender of accused persons from the Kathiawar States to British India and *vice versa* should be identical on the principle of reciprocity. Rules requiring the State Courts to prove these cases before Agency while accepting Jhilla Court demands on their own certificate is thus an anomaly which requires to be corrected.

These are the principal instances in which the Wankaner Durbar believe the rights of independence guaranteed to the State have been assailed and request that all such orders or practices which go to infringe the terms of the original settlement or violate the pledges given by the Paramount Power from time to time may kindly be stopped.

APPENDIX E.

Note on the Constitutional Position of the Kathiawar States.

Introductory remarks.

As a result of the firm establishment of British rule in India, after the Mutiny, a new set of relationship based on "union and co-operation" came to be established between the Indian States and the Paramount Power. The bulk of the engagements contracted since that period "concern mutual arrangements for the repression of smuggling, the freedom of trade, the construction of railways, telegraph and canals, the extension of the postal systems or the protection of mails, the cession of lands for sanitaria or civil stations, the preservation of forests, the extradition of criminals, and jurisdiction or recognition of legal acts" (Lee Warner, pp. 184-185), and many others rendered necessary in the interests of the smooth working of the administrative machinery in British India and the uniform application and growth of civilised forms of administration on both sides of the geographical line dividing the States and British India. In the words of Lee-Warner, therefore, "the transfer of Government to the Crown by the Statute of 1858 was an event of signal importance, not merely in the results sketched above, but in the splendid opportunity it offered for effecting a striking change of policy." (Lee Warner, p. 161.)

2. The points of contact were so many and the progress of ideas so rapid, that it was impossible to anticipate what changes the future would demand to maintain and develop this new union and partnership. It was recognised even by Lee Warner that "if so many streams of obligations on both sides are ever pouring into the reservoir, it may be argued that the union of subordinate states with a powerful Suzerain presents nothing but danger to the States, and temptation to the British Government." (Lee Warner, p. 205.) Relying upon the sagacity of the British official, Lee Warner was, however, sanguine that nothing but benefit would result from such close-co-operation.

3. One of the most important results of this new partnership was the disappearance of the old distinctions amongst the States such as

"allied, tributary, created or protected." and they all came to be treated alike. The consequential dangers to the constitutional position of the important States in the country from the levelling effects of such a policy were, for the first time, officially recognised by Mr. Montagu and Lord Chelmsford and found expression in their historic report on Indian Constitutional Reforms in 1918. They observed in paragraph 302 that "uniformity of terminology tends to obscure distinctions of States; and practice appropriate in the case of the lesser Chiefs may be inadvertently applied to the greater ones also. We are convinced that it would improve and assist future relations between the Crown and the States if a definite line could be drawn separating the Rulers who enjoy full powers of internal administration from the others."

4. The first suggestions of the framers of the Joint Report, as made in the opening speech of the Viceroy, at the conference of January, 1919, regarding the nature of this demarcation line were that "if such a distinction is made, it must be based upon constitutional considerations, that is to say, upon the nature of the link between individual States and the Crown." In further explaining the views of the Government of India in this behalf the Viceroy stated that "the essential questions for classification purposes would seem to be whether the Ruler has normally the power to legislate for the welfare of his subjects and to conduct the administration without the intervention of the British officials. I am aware that the power to pass death sentences is usually regarded as the most important test of the internal independence of a Ruler, but where this power, actually inherent in the Ruler, has been held in abeyance by Government pending the attainment of the State's judiciary of a reliable standard of efficiency it would not seem necessary that the State should be excluded merely on this account from the full power list." Subsequently, however, it was found in November of the same year that a "marked divergence of opinion existed on the subject of the principle to be employed for effecting the division." Although, therefore, as a matter of practical politics to meet all difficulties of the moment, the Viceroy, with the approval of His Majesty's Government, favoured and advocated the basing of the distinction "primarily upon the Salute-list," in spite of its existent anomalies, the earlier principle of basing the same on constitutional consideration was, in no way, surrendered. And with a view to reconciling for all future occasions the two principles of distinction adopted in November, 1919, the Viceroy observed "Your Highnesses will remember that in my last speech I said that Mr. Montagu and I felt that the whole question of salutes needed most careful investigation in view of the anomalies which appeared to exist. If the principle which I now advocate is to be adopted as the basis of classification, it will be additionally desirable that this investigation should be undertaken at an early date, in order that anomalies, whether already existing or likely to ensue, from the institution of the dividing line, should be corrected wherever possible. My Government are ready to give their earnest consideration to this matter and will make the necessary recommendations to the Secretary of State for submission to His Imperial Majesty in due course."

5. Although the Kathiawar States generally are still awaiting the alleviation of their disabilities, and discrepancies brought about in some cases by restrictions on their right of passing death sentences which inherently repose in them, and in most cases by the anomalies of the Salute-list, the importance of the above passages relating to the present inquiry into the status and position of the Indian States is supplied by the fact that, for the first time in history, since the union and co-operation between the States and the Paramount Power began, the policy of reading the Treaties as a whole and treating all the States alike has been discarded and has been replaced by one of basing the inherent position of the States on the constitutional link between them and the Crown.

6. The situation thus created is most aptly described in the following terms:—"The tendency of an earlier generation was towards uniformity, to apply to all alike a code of political practice developed from precedent and theory. This has now been given up, and it has been publicly recognised that the relation of each State with the Paramount Power will be decided purely by reference to individual Agreements and Treaties or on the basis of general principles accepted by the Princes' Chamber. The theory that the rights and privileges of States are derived directly or indirectly from the Paramount Power, and not inherent—a position which Lord Curzon took up in his public speeches—has also been given up. It is now recognised that the obligations are bilateral, at least in the case of treaty States in contrast with States created by grant or sanads." (Relations of Indian States with the Government of India by Mr. Panikkar, Introduction, p. XVII.)

7. Unfortunately, so far the application of the policy of examining the constitutional position of the States has not exhibited any measurable progress for various reasons. It is a happy augury for the future that the Paramount Power have, recently, in appointing the Indian States Committee under the Chairmanship of Sir Harcourt Butler, instituted that special machinery for undertaking immediately the examination of the status and position of States.

Constitutional Position.

8. One of the terms of reference to the Committee is as follows:—

To report upon the relationship between the Paramount Power and the States with particular reference to the rights and obligations arising from—

- (a) Treaties, Engagements and Sanads, and
- (b) Usage, Sufferance and other causes.

9. The "constitution link of relationship" of the Kathiawar States with the Paramount Power is supplied neither by Treaties nor by Sanads, but by Engagements. Engagement is a very comprehensive term and the meaning that can be attached to it in the present context according to Webster is "obligation by pledge, promise or contract." The engagements of the Paramount Power in their relations with the Kathiawar States are furnished by the pledges given to the latter by Lieut-Colonel Walker on behalf of the former in A.D. 1807-08. With

a view to appreciate clearly their scope and meaning they should be examined in their historical setting.

10. Early in 1804, a few Chiefs of Kathiawar solicited British protection and requested Colonel Walker, then Resident at Baroda, to extend the same. Colonel Walker referred the matter to the Government of Bombay, who in their letter dated the 20th February, 1804, expressed the view that, although they would favour some possessions in Kathiawar, and however creditable to the British national reputation was the unsolicited desire of some Chiefs to be admitted to British protection, they were averse to obtaining such possessions or extending such protection, if they were contrary to political justice or equity, or if thereby the well-established rights of other powers over those Chiefs were disturbed or erased. And Colonel Walker was particularly enjoined to act cautiously after full and exhaustive inquiry into the rights and position of the Kathiawar Chiefs. (Government Selections, No. XXXVII, New Series, 1893, p. 44.) In immediately replying to this communication on 14th March, 1804, Colonel Walker assured the Government of Bombay that he would elicit the exact position of these Chiefs from their Vakils whom Colonel Walker had invited to meet him, but in the meantime, from the information then before him, he was of the opinion that, although perhaps the immediate object of those Chiefs in seeking British protection was to "screen themselves from violence, and to limit at least the degree of their oppression" and to secure with the aid of the powerful mediation of the Company, reasonable settlement of their ever-increasing tribute payable to these agencies of oppression, the Kathiawar States "with the reservation of their acknowledged tributary payments" to the latter were "independent and at liberty to form connections with other powers, that they were 'under no obligation of service and neither the Peshwa nor the Gaekwar pretended to exercise an authority in Kathiawar beyond the demand of their respective contribution.'" (Government Selections, No. XXXVII, New Series, 1893, p. 45.)

11. Subsequent events delayed the active intervention of the British Government in the affairs of Kathiawar, but at the same time, the delay afforded Colonel Walker both time and opportunity to make further and extensive inquiry into the position and status then enjoyed by the Rulers of Kathiawar. As a result of this inquiry, he informed the Bombay Government in his report dated 20th July, 1806, that from every information available to him, it appeared that "the different chieftains of Kathiawar have maintained, under the different revolutions of this country, the same character and the same degree of personal independence" (Government Selections, No. XXXVII, New Series, 1893, p. 31, para. 49), "that except for the exaction of their tribute at force of arms," the Maharatha powers never interfered in the concerns of these Rulers, whether foreign or domestic; that 'the power of life and death and the administration of justice' were exercised by all over their respective possessions; that it was never necessary for them to obtain the permission of the Maharatha powers to inflict punishment on their subjects, nor was any reference to the same quarters necessary for extending pardon to those once punished; in fact, even if any of their subjects committed a crime against the Peshwa or the Gaekwar, the latter never presumed to seek redress

direct, but left it to the States themselves to take necessary action; in the sphere of external relations, although such interests were generally limited to their own neighbourhood, these Rulers "enjoyed the right of peace and war with each other; they formed such connections as might be necessary for the extension and security of their commerce; they built fortifications and maintained troops." (Government Selections, No. XXXVII, New Series, 1893, paras. 58, 59 and 60.)

12. When, therefore, a suitable opportunity presented itself for Colonel Walker to proceed to Kathiawar and extend British protection to that province, there were no doubts in the mind of that officer as to the powers and status enjoyed by the indigenous States, as to the nature of guarantee of protection he intended to extend and generally as to the position to be assured to these States in the future. With a view, however, to acquaint the Bombay Government of the same, on the eve of his departure, he reported on the 15th March, 1807, that his main objects in proceeding to Kathiawar were "to obtain engagements from the several Chiefs of the Peninsular for the regular payment of an equitable amount of tribute to the Gaekwar Government without the necessity for the periodical advance of a predatory army to enforce payments under the guarantee of the Company" and to "leave the Chiefs in possession of all the rights of internal sovereignty to which they were entitled."

13. That Colonel Walker's intervention in Kathiawar did actually achieve these objects, and that he had faithfully confined his intervention to them are established by his own report, dated 15th May, 1808, on the conclusion of his protracted visit to Kathiawar, as well as subsequent and repeated authoritative pronouncements of the British Government and competent Courts of justice. Perhaps the most comprehensive of all these pronouncements is the letter No. 549, dated 19th February, 1831, addressed by the Bombay Government to the Political Commissioner, Gujarat, from which is quoted the following extract:—

"At our first interference in 1807-08, Lieut.-Colonel Walker promulgated by an address to the Chiefs the objects we had in view; and proclaimed that they were confined to the settlement of their tribute; and that no encroachment on their landed rights or their independence was contemplated and that the state of possession and power, as it then existed, was to be guaranteed; and at the same time, both the British and Gaekwar Governments concurred in the policy of abstaining from a spirit of aggrandisement and from every encroachment on the rights or possessions of the Chiefs.

"On the faith of these assurances, the Chiefs entered into measures suggested to them by agreeing to pay a fixed sum annually as hitherto and also passed a security bond to abstain from any violent attacks on each other, to afford compensation to each other for the acts of their own subjects for all injuries sustained by any Chief or any of his subjects; to be responsible for criminals taking shelter within his possessions; and also for preventing banditti passing through his districts to plunder other territories."

We placed ourselves as a guarantee between the several States for the due fulfilment of the above conditions, and are, therefore, when

appealed to, bound to enforce them." (Vallabhdas Government Resolutions, Vol. IV, p. 11.)

14. It would not be erroneous to conclude from this historical review that the exact constitutional position of the Kathiawar States is that which they have always enjoyed during the Moghul and Maharatha periods, as modified by their engagements with Colonel Walker, when in return for their voluntary relinquishment of certain inherent and time-honoured rights, the Kathiawar States secured for themselves the welcome protection of the powerful British Government. In sum, therefore, the constitutional rights of the States are those which were theirs as stated in Colonel Walker's report of July, 1806, the modifications of which as effected by Walker's settlement are indicated in the Government of Bombay's letter of February, 1831. With a view to facilitating the examination of these two documents and eliciting the correct position of the States from them, they are placed side by side and clause for clause:—

Relevant extracts from Colonel Walker's Report to the Bombay Government, dated 20th July, 1806.

1. Except in the payment of their jamobandhi, the Chiefs such as Rajas, Ravals, Thakores, and Girassias were in possession and exercise of every interior right of sovereignty.
2. The power of life and death and the administration of justice within their respective villages are possessed by all.
3. It was never thought necessary to make any reference to the authority of the superior Government in order to obtain leave for the punishment of, or to avert the effects of, having punished a criminal or disobedient rayat.
4. In the event of a crime against Government being committed, it was usual to demand of the girassia whose rayat might have committed the act that he should take the necessary measures for punishing the same.

Relevant extracts from the Bombay Government letter, No. 549, dated 19th February, 1831.

The object of the British intervention in the province was confined to the settlement of regular payment of their tribute and that no encroachment on their landed rights or their independence was contemplated. The Chiefs agreed to pay a fixed sum annually.

The state of possession and power as it then existed was guaranteed.

* * *

The Chiefs agreed to afford compensation to each other for the acts of their own subjects for all injuries sustained by any Chief or any of his subjects; and to be responsible for criminals taking shelter within their possessions.

5. They enjoyed the right of peace and war with each other.
6. They formed such connections as might be necessary for the extension and security of their commerce.
7. They built fortifications and maintained troops.
8. Nor does it appear that any of the States to whom they paid tribute ever interfered in their transactions, whether foreign or domestic, so long as they were not inimical to themselves.

The Chiefs passed a security bond to abstain from any violent attacks on each other.

* * *

The Chiefs agreed to be responsible for preventing banditti passing through their districts to plunder other territories.

Both the British and the Gaekwar Governments concurred in the policy of abstaining from a spirit of aggrandisement and from every encroachment on the rights or possessions of the Chiefs.

The British Government placed themselves as guarantee between the several States for the due fulfilment of the above conditions, and are, therefore, when appealed to, bound to enforce them.

N.B.—Where there is no clause in the Bombay Government letter modifying the rights indicated in Colonel Walker's report, obviously the undertaking, that the state of possession and power as they then existed was to be guaranteed, should be understood to apply.

This signifies no actual modification but indicates a responsibility which can be fulfilled only if troops were maintained and fortifications built. This clause is, however, modified by the provisions of 5 in as much as the troops should not be utilised to make violent attacks upon others but that they, like the fortifications, are for purely defensive purposes.

15. To sum up, the constitutional position of the Kathiawar States from the above comparative statement is as follows:—

1. The British Government have pledged themselves that so long as the Kathiawar States continue to pay regularly the tribute settled by the former, there will be no encroachment upon the landed rights or the independence enjoyed by the States. The States agreed to pay annually the sum that was so fixed.
2. The British Government having guaranteed to the States their possession and power as they existed in 1807-08, the British Government are pledged to secure to the States the continued and undisturbed exercise of the powers of life and death and the administration of justice within their respective territories.
3. The States are not required to make any reference to the Paramount Power in order to punish or to avert the effects of having punished a criminal or disobedient subject.

4. In the event of a subject of the States committing a crime against the Paramount Power or any other State, the State whose subject commits the same shall be required to punish the criminal and afford adequate compensation to the aggrieved parties, if they have sustained any injuries. The States will be responsible for criminals taking shelter within their territories.
 5. The States are bound to abstain from any violent attacks upon each other.
 6. The States are at liberty to form any connections that might be necessary for the extension and security of their commerce.
 7. The States shall be at liberty to build fortifications and maintain troops purely for purposes of defence and shall be responsible for preventing banditti from passing through their territories.
 8. Both the British and the Gaekwar Governments are pledged to abstain from a spirit of aggrandisement, from every encroachment upon the right of possession of the States and from an interference in the transactions of the States, whether foreign or domestic, so long as they are not inimical to the Paramount Power.
 9. The Paramount Power are pledged to uphold the constitutional position of the States as declared above and are bound, when appealed to, to ensure its preservation.
16. It was not long after these arrangements when the interposition of the British Government was required to preserve the constitutional position thus guaranteed to the Kathiawar States.
17. When the arrangement, by which the Peshwa had farmed a portion of his Mulakgiri interests in Kathiawar to the Gaekwar, terminated in 1814, he attempted to interfere in the internal affairs of the province, in contravention of the rights enjoyed by these States from times immemorial and of those guaranteed to them by the British Government through the engagements of Colonel Walker. The British Government consequently "opposed every attempt on the part of the Peshwa to introduce a greater degree of authority in Kathiawar than he had prior to the Treaty of Bassein and the settlement of the Kathiawar Tribute. The tribute in lieu of the Mulakgiri claims (to prevent invasion) on the Kathiawar Chieftains having been fixed in perpetuity and while they continued to fulfil the arrangements they had contracted, the British Government was pledged to secure to them the privileges they had derived from their ancestors" (Hamilton's Statistical Account). And Lord Elphinstone who was then Resident at Poona in a Darkhast of 15th March, 1815, informed the Peshwa that "the Chiefs shall send their Vakils to Ahmedabad to pay the Peshwa's share of the tribute but no other claims of any other description shall be advanced by the Sur Subedar, nor any authority exercised by him over the Chiefs or their ryots" (Aitchison Treaties, Vol. VI. 1892 Ed. Appendix X). Subsequently all the rights of tribute of the Peshwa passed to the British Government as a consequence of the arrangements of 1817 between those two States; and most of those of the Gaekwar were also acquired by the British Government in 1820.

18. It might be interesting to examine here briefly the meaning and signification of "tribute" (paid by these States now only to the British and Gaekwar Governments) and the effect of that payment on the constitutional position of the Kathiawar States.

19. The monetary payments that were exacted from the Rulers of Kathiawar in the past at force of arms, from the days of Mogul supremacy in India, have been known in the province as "Mulakgiri." This is a Persian word and had been applied by the Mohamedans to a "levy which they exacted from the inhabitants of the country into which their armies entered, not with a view to conquest, but under the injunction of the Quoran which required the faithful, whenever an opportunity occurred, to raid the countries of the infidels. During the days of the Maratha ascendancy, this practice of enforced exactions was maintained and developed, and in Kathiawar it continued to be known as Mulakgiri. The objects of the Mogul and the Marathas in undertaking similar raids were, however, different. The Marathas were not raiding the infidels, but they continued the practice primarily as it suited their predatory habits, and secondly, because it served their military policy which, with a view to keeping their armies occupied at little or no cost, required their troops to find food and wealth for themselves for at least 8 months in the year by waging wars on countries beyond their own borders. When these armies visited a country, the indigenous Rulers did not, as a rule, readily acquiesce in the payment of the Mulakgiri. In fact their self-respect usually demanded that they offered some resistance up to a point, however, which did not render them too weak to maintain their own position against the attacks of immediate neighbours. After some resistance, therefore, a sum was mutually agreed upon which was paid to the invading army as a price of their immediate withdrawal from the country and immunity from further attacks from the same source for at least a year, if not longer; and the invaders usually preferred such payments to prosecuting a doubtful contest to extremity." (Government Selection, Vol. XXXVII, New Series, 1893, p. 180.) And the fact that a State submitted to such payment imposed no obligation of subordination to the power to which it was paid, either at the time or any future occasion. In fact the amount was never fixed and one or more payments of a varying amount created no precedent for the future which the paying State was bound to honour without remonstrance and sometimes even resistance.

20. Such was the relationship which subsisted between the Kathiawar States and the Gaekwar who collected Mulakgiri in that province on his own account and also in his capacity as the Peshwa's farmer, when the Gaekwar required the British Government, by virtue of their engagements to lend him military aid for the collection of his Mulakgiri demands. The British Government were, no doubt, impressed by the ruination caused by such visitations of predatory armies, which far exceeded the sum actually collected and perhaps by the inherent immorality of a demand which in its ultimate sanction as well as its immediate incidence was very akin to blackmail. The British Government, therefore, actuated by higher sentiments of humanity, justice and equity, offered their peaceful mediation for a permanent and equitable settlement of regular payment of such demand, if in return the Gaekwar

pledged himself in perpetuity to abstain from interference in the affairs of the country. The Gaekwar agreed, the Kathiawar States were also agreeable and, as a result, the British Government, as guarantors, contracted engagements which confirmed to the Kathiawar States the constitutional position described above. As a result of this permanent arrangement and during the period when it was being negotiated, the earlier term "Mulakgiri" came to be replaced by a more honorific one "tribute." When this term is applied to an arrangement of the nature of blackmail that was then in vogue in Kathiawar, it may serve to veil the original conditions, but it cannot alter the older relationship. A reference to Webster will show that the only meaning that can be attributed to the word "tribute" which has replaced Mulakgiri in Kathiawar, is an annual or stated sum of money or other valuable thing paid by one Prince or Nation to another, either as an acknowledgment of submission or as the price of peace and protection: "Mulakgiri" was paid as the price of peace and non-interference for the time being; "Tribute" is that which is paid regularly as the price of permanent peace, internal independence and protection by the Paramount Power.

21. The exact meaning and significance of the monetary payments by the Kathiawar States had never been in doubt in the minds of Colonel Walker or the Political Officers that succeeded him in office during the last century and a quarter. As a matter of fact, the monetary exactions of the Maharathas have not been allowed to impose a feudatory relationship upon those who paid the amount even in other parts of India. The position enjoyed by the Rajputana States to-day is an illustration of this fact. Unlike Kathiawar, the Maharatha levy in Rajputana was known as "chauth" (fourth share) a term indicative of more or less permanent, regular and recognised payments, but in reality and in essence, the nature of the exaction, although covered by a more abiding term, did not substantially differ from "Mulakgiri." And strangely enough, the Rajputana States, although at least equal in essentials, were accorded a position superior to Kathiawar States in some respects. Such payments by the Rajputana States did not preclude their being described as "substantive" States, even before the British Government intervened on their behalf, nor did those exactions prevent the British Government from entering into alliance with them on equal and friendly terms. They were at the same time required, under the terms of those very engagements, to pay for the future in most cases a regular tribute which was not fixed, but which represented a specified portion of the State revenues. This was the direct result of the fact that they had, in the past, paid "chauth" and not "Mulakgiri." This variable payment was, however, later commuted to a fixed sum.

22. In essence, therefore, the payment of tribute by the Kathiawar States, does not constitute a fundamental difference in their constitutional position from that of some of the Rajputana States, except for the fact that the latter, owing to the special and local circumstances which prevailed at the time, were invited to negotiate treaties with the British Government and were consequently described as "friends and allies" whose immediate co-operation was sought to meet an existing menace in the hordes of Pindarees. Both classes of States, are alike tributaries of the British Government or some neighbouring

Maratha power and enjoy full internal independence and sovereignty. Why the Kathiawar States were allowed to remain outside the ring-fence was due partly to the geographical position of the peninsula and partly to the absence of any imminent menace like the Pindarees. This is borne out by the fact that, while the Rajputana States are debarred from all political negotiation or correspondence with their neighbours, the Kathiawar States are still constitutionally at liberty to form connections with others so long as they are not inimical to the Paramount Power.

23. The fact that even some of the biggest States were not immune from payment of tribute to the Maratha power called for the recent pronouncements of H.E. the Viceroy at the opening of the conferences of Ruling Princes and Chiefs in January and November, 1919—that there was no likelihood of the word “tribute” shrouding the constitutional position of any State. The words employed by His Excellency on both these occasions were almost identical and of all-India importance, “I would here remark that it would not, of course, be appropriate to regard mere payments, originally of a tributary nature made by one State to another, as necessarily constituting feudal relations.”

There cannot be a weightier pronouncement on the subject than these words of permanent assurance.

The bearing of “Classifications of States” on Status.

A constitutional survey of Kathiawar would be incomplete without a review of the history and effect of a system known as “classification” of the position of the States. The system is peculiar in its origin to this province and is the direct result of the nature of the “constitutional link” between the Paramount Power and these States.

(ii) Under this system of classification which was first introduced in organised form in 1863, all the States were divided into seven classes, of which the first two classes, under this arrangement, were to continue to exercise full powers of internal administration. The powers of the other classes were defined and graded on a sliding scale, the 3rd class having wide powers of exercising civil and criminal jurisdiction, while the 7th class had no civil and very limited criminal jurisdiction. This classification has recently been abolished, but the powers of individual Rulers continue to be the same as those originally defined under the arrangement.

(iii) An examination of the history of this question will show that, as early as 1825, it was found that some of the States whose internal sovereignty had been guaranteed to them by Colonel Walker were too small to exercise their sovereign functions or fulfil their obligation of controlling the criminals or banditti within their respective jurisdictions. As guarantors, the British Government were required to interfere with the dual object of ensuring peace and tranquility in the province as well as securing the constitutional rights of these petty Chieftains. “And the Bombay Government instructed the Political Commissioner to visit Kathiawar twice annually, and try persons guilty of capital crime in the territories of those petty States whose Chiefs might be too weak to punish them. The Court of Directors, in 1834, approved this plan adding ‘we are glad to find that it has the complete concurrence of the Chiefs themselves’.” (Arguments in *Hemchand Raichand v. Sakarlal Chhotamlal*, 8 Bom. L. Reporter.)

(iv) This arrangement was, however, systematised and adopted as a definite and recognised policy and established in the province by Colonel Keatinge in 1863, with the sanction and approval of the Secretary of State. It was, however, laid down that "no appeal should now be allowed from the original jurisdiction of the Chiefs" as "it must be remembered that we are regulating and restricting the jurisdiction of these persons, not conferring any new powers." When the Bombay Government were contemplating the establishment of this system, they were sanguine that "if it be explained to the Chiefs that the object is to define and not to take away existing jurisdiction, His Excellency in Council can conceive no reasonable ground of objection." Considerable alarm amongst the Chiefs at the beginning, however, could not be avoided, but the explanations which were given in this behalf did ultimately satisfy them and they were induced to accept the arrangement. This system has subsequently been an object of very careful examination by eminent judicial authorities and it enjoyed a very prominent place in the arguments of the celebrated Privy Council case of *Hemchand Raichand v. Sakarlal Chhotamlal* in which the Secretary of State for India was also a party. Counsel for the last, arguing the case before their Lordships, expressed the view that in introducing classification in the province, "We interfered in the fulfilment of the guarantee we had given for the preservation of peace. We did not bring in a new jurisdiction from without. We exercised a part of jurisdiction of the Chiefs which, for the time, they were unable to exercise for themselves. If, at any time, they become qualified to exercise a jurisdiction, we shall be bound to restore it to them; for we cannot rightly interfere in the indigenous litigation of the country more than is actually necessary for the purpose we have in view. We can always raise a Chief to a higher class." The last sentence was, at the time, substantiated by the fact that the Ruler of Gondal has been so raised; the recent enhancement in powers of the Rulers of Lakhtar, Sayla and Virpur brings the point into greater relief.

(v) It will be clear from the above historical survey that the classification strengthens, rather than weakens, the constitutional position of the States of Kathiawar. It fully recognises the inherent sovereign rights of the States. In cases where in practice it was impossible for the possessors of these rights to exercise them, they were not held to be extinguished, but the Paramount Power, as the guarantors of those rights, and for their preservation, intervened by co-operating with these Chiefs in the exercise of such rights, in a manner that was not prejudicial to their inherent rights, with their consent and as a temporary measure. It should be noted at the same time that, while their exercise of jurisdiction was defined and limited, full powers of legislation were allowed to continue to repose in the States, which is true to this day. The Paramount Power were faced with a dilemma when in the interests of peace and tranquillity, they had either to abrogate their earlier engagements with these Chiefs and assume sovereign authority in their States or else they had to recognise sovereignty as residing in the States, in virtue of which they were to be persuaded to be content with the undisturbed exercise of that measure of their sovereignty which their size and resources permitted, and to transfer the rest to the Paramount Power to be exercised in their name and on their behalf till they could be restored to their inherent rights at the earliest

opportunity. The latter course proved more acceptable both to the Paramount Power and the States and was, therefore, perpetuated as an added emphasis of the preservation of the constitutional rights of these States.

AUNDH.

Extradition.

The present practice of extraditing offenders is not satisfactory. When any offenders are required by the British Government for inquiry or trial for offences committed within their territory, the British Police enter the State limits, arrest the offenders, give information of it to the local authorities and take them away. This they do on the authority of Article 2 of the treaty of 1820. The same procedure cannot be followed by the State Police. When any British subject commits an offence in the State territory, and when he is required for trial in the State, the State is required under the Extradition Act, to make a prima facie case against the accused and submit it to the Political Agent, who after satisfying himself that there is a prima facie case against the accused surrenders him to the State. The distinction shown in this way about the surrender of offenders in the British territory should be abolished. This distinction should also be done away with as regards offenders from other States. There should be a uniform system of extraditing offenders in British India as well as in other States. The article in the Treaty of 1820 in this connection should be recast in such a way as to suit all the purposes. The Extradition Act which was introduced after the Treaty should also be modified conformably to the article in the Treaty.

In like manner the restrictions imposed by section 188 of the Criminal Procedure Code, Act V, of 1898, as amended by Act XXIII of 1923, for the trial of British Indian subjects without the certificate of the Political Agent or without the sanction of the Local Government, should be discontinued.

Reciprocity in Civil and Criminal matters.

The subjects of the Aundh State are put to great inconvenience when they have to execute a decree obtained against a British subject in the court of the Aundh State. As there is no reciprocity regarding the execution of decrees the British Courts insist on the institution of a fresh suit on such decrees. The same is the grievance of the British Indian Courts. The State Courts also do not allow the execution of decrees obtained in British India unless a decree is obtained in the State Court. All the rules about the conclusive nature or otherwise of such foreign judgments are pleaded and parties are unnecessarily put to a great expense. As the Aundh State possesses a proper and qualified staff for the administration of justice, these mutual grievances of the State and British subjects may please be removed once for all by reciprocal arrangement about the execution of decrees by the Civil Courts in this State and British India. As facilities of communication by Railways and motors have now given an impetus to the increasing inter-commercial dealings, this is the proper time to encourage this growth by the recognition of the principle of reciprocity

as regards execution of decrees in Civil Courts. It is also necessary that there should be reciprocity as regards the recovery of fines levied by Criminal Courts both in this State and British India.

Removal of certain Restrictions.

There are at present certain restrictions as regards the number of breech loading guns to be used by the State Police. In order that the Police should be equipped with the modern improved firearms for the sake of maintaining complete peace and order in the State it is absolutely essential that they should be provided with a sufficient number of breech loading guns. The present restriction, therefore, deserves to be done away with immediately.

When any Ruling Chief or Prince wishes to acquire any property in British India the sanction of the British Government has to be obtained at present. Such a restriction on the rights of Ruling Chiefs and Princes is absolutely undesirable in consideration of the changed times, especially when even ordinary people do not require any sanction whatsoever for the acquisition of property either in States or in British India. It is, therefore, requested that this restriction should at once be removed.

BHOR.

Irrigation.

Repeated demands for territory have been made upon this State by British Government for constructing and extending Irrigation works for the benefit of British subjects. This has caused various losses to the State. There are some more works of this nature under the contemplation of Government. It is requested that no further demand for territory should be made upon the State, and if any is to be made out of unavoidable necessity arrangements should be made first to give equivalent territory with jurisdiction and sovereignty in exchange, and liberal compensation should be assured for other indirect losses, both to the State and its rayats, before the work is taken in hand, as experience has shown that it is difficult to compensate these afterwards once the work is started. It should also be settled beforehand whether the villagers are willing to go into the State jurisdiction if they are well and good. Otherwise British Government should not start the Irrigation works.

Royalty over Water.

All streams and rivers which flow into the water stores constructed at Bhatghar and Vir and some which flow into the store at Kadak Wasla, have their sources in the Bhore State, and a great portion of their courses runs through the State; so the water of these stores belongs to a great extent to the State. No compensation has been given to the State for this right of royalty over water nor is Government prepared to admit this right in principle. It is urged that this right should be recognised and compensated if any further work of this nature, affecting the interests of the State, is taken in hand.

Income Tax.

As the Rulers of the State are not British Indian subjects, they are not liable to British Indian taxation. However, the Durbar is required to pay income tax on the income which it has derived in British India from before the time of Treaties, and which has been solemnly guaranteed in them.

PHALTAN.

The efficiency of administration in States with moderate income is to some extent hampered for want of adequate funds to maintain high paid men for a number of departments and institutions. It is therefore suggested that groups of such States may, by co-operation, arrive at an arrangement by which they can have common machinery for the administration of some matters of a non-political character, for instance, the maintenance of an efficient High Court. By this method the efficiency in the conduct of such institutions will be fully achieved without each State having to contribute anything beyond its means. This will leave the States autonomous as well as efficiently managed in respect of their own internal affairs. Such groups or federations of States will further help the States to rise to their full height and to maintain their rightful and honoured place in the British Empire.

Another matter to which this Durbar would like to invite the attention of the Committee is this. At present any reform in the administrative system of a State, especially of a character transferring rights to the people, is not attached much value and is not looked upon with that feeling of security and permanency which it should ordinarily command. There are also other spheres in which this feeling of uncertainty is exhibited. People, especially outsiders, are reluctant to deal with States in money, the reasons for this state of things being that there is no guarantee as to whether the successors of the Chief who granted the administrative reforms or entered into the money transactions for the benefit of the State, would take upon themselves the responsibility of continuing those reforms and recognizing those transactions as binding upon them or not. To remove this feeling, which materially hampers the progress of States, some satisfactory means should be devised. It is hoped that the Paramount Power will lend its support to enable the States to achieve this object by removing the above mentioned difficulties.

MIRAJ (Senior).

I have little to add to what has been already stated above. If the right of the State to levy its Customs or to share the profits is conceded it follows that it should have a voice in the decision to levy and to fix rates and also in fixing the proportion of its claim to a share in the revenues.

Here, as in other matters, the new Government of India may hold different views. This should be prevented. The levy of Customs under a tariff should be so arranged that they should not prejudicially affect

the local and national as well as empire industries. The interests of revenue and the nourishment of industries should be the combined goal. Little difficulty need be felt in securing this.

In the event of the new Government not agreeing to abide by such an Agreement a difficult situation is likely to arise. In that event, which I trust may never arise, the States ought to be allowed to levy their own Customs. Prudence would dictate that any conditions that may be attached to the transfer of the Government to the people of British India should, in all propriety, have a reasonably binding condition in this respect to prevent future difficulties, as in all other matters, in which the interests of the States are involved.

It is, therefore, earnestly hoped in the interests of both, British India as well as of the Indian States, as sincere neighbours and friends in every sense of the expression, and as joint members of the great Commonwealth, that a real spirit of sincere co-operation for common good will be religiously and lovingly nourished and maintained by both.

The above exhausts the points mentioned in the Committee's questionnaire, in matters financial and economic, as between the States and British India. I have placed the full facts bearing on them unreservedly and I earnestly hope that your honourable Committee will not fail to remember one great thing, that the just interests of my State, which is admittedly a small one, have been entrusted to your Committee as in safe hands, with a hope that no efforts will be spared in safeguarding them.

There are other matters not mentioned specifically in the questionnaire, but which are such as deserve to be placed before you for the consideration of the honourable Committee. Those that relate to the financial and economic relations have almost appeared above. There is one point which is important but has not been mentioned so far. It relates to lands required by the States for a canal or through road, constructed at the expense of the States. The transfer of such lands to the States should have the same concessions or treatment as are given for State lands taken for British India.

MIRAJ (Junior).

This State desires to bring forward the following other questions for consideration, as they are important to the better administration of this State:—

1. Supply of up-to-date arms and weapons to the State Police.
2. Providing the State with lands in British territory, by acquisition for projects that must pass through that territory, in the same way as the States do in the case of Government projects.
3. Employment of foreigners as doctors, engineers, nurses, &c., in State service. This rule may now be relaxed.
4. Reciprocal exchange, for the sake of administrative convenience, of villages belonging to the Miraj Junior State with villages of British India. The reason is that the villages of this State are scattered and so the administrative expenses have unnecessarily increased.

5. Rank and Precedence List. The present list of Rank and precedence of Rulers is not satisfactory and remains in its antiquated condition for the present. The Patwardhans of the S.M. Country may be mentioned among the sufferers. Complete internal sovereignty, not only the magnitude and extent of a Jahagir, and the character of the relative position showing the relations of the Princes and Chiefs with the Paramount Power, present and past, in their respective share in building up the Empire, do not seem to have been considered.
6. Fiction of Lapse. Next comes the question of the propriety of the rule laid down that the Jahagir States, which are Sarajams in character and yet their Chiefs by virtue of their Treaties possess powers of full internal Sovereignty, should be considered to have lapsed immediately on the Ruler's death even when he has left a son as his direct and natural heir. The rule is stultifying to the dignity of the Crown in whose name the Treaties were concluded and therefore deserves to be abolished. In the same way, the issue of a fresh Sanad to each new Ruler, become needless and may, therefore, be discontinued.
7. Levy of Nazarana. The Political Officers question the right of the Ruler to levy the Nazar though this Nazarana is even to-day being levied by the British Government on such classes of Inamdars in British districts. Yet the Political Officers urge that as Government have abolished the old Nazar on the succession of Rulers, the latter should not levy the same from Kadim Inamdars—though there is no analogy between the two classes—for what was given by the Treaty cannot be taken away by Executive orders of Political Officers.
8. Constitution of the Chamber of Princes. The status of Indian States should not be made dependent on the number of guns of salute which they have got. The titles, honours or the salutes are given on no definite principles. The importance of States should be made dependent on the previous history and the power they wield. The area of their territory or their income should not influence the Paramount Power in fixing the status of Indian States. Some of the Southern Mahratta Chiefs and the Satara Jahagirdars had approached Government with a request to take into consideration their status and history and give them place in the Narendra Mandal. But the Government of India, without giving them a proper hearing, refused this request. Of late the membership of the Narendra Mandal and the salutes have been given prominence in fixing the status of Indian States, which is quite against history. This can be well illustrated by the case of Miraj Junior. Thus the constitution of the Chamber of Princes is not satisfactory. Even Princes who have the rights of a complete internal sovereignty are excluded and very inferior Princes who happen to get the honour of a salute are members, though they have no rights of internal sovereignty. The rule should be that all Princes having such sovereignty rights should be members. This State has always enjoyed such sovereignty but is still excluded from a seat in the Chamber of Princes. As I intend addressing a

separate representation on this point jointly with the other S.M.C. Chiefs, I here refrain from further comments in this connection.

It will be apparent in what a large variety of ways the States have been laid under contribution for the benefit of British India. The reply is, they enjoy peace and protection from foreign aggression. But they paid for these blessings and continue to do so. Some States made large concessions of territory and others have been paying yearly tributes towards the defence of the country. The late war demonstrated their readiness to help, and the help the States actually rendered otherwise was a factor that counted. Further, not an institution of public utility can be started, not an emergency can occur, not a fund can be opened, but the States subscribe lavishly. All this money eventually comes out of the pockets of the States subjects. They are, therefore, entitled to every consideration.

VADIA.

VIRPUR.

The State desires to submit for the consideration of the Committee a few instances in which the Government have, knowingly or unknowingly, either broken the guarantee given by Colonel Walker's Settlement or have failed to act up to it.

1. *Withholding of full powers and status.*

Considering the position of the Kathiawar States, as often affirmed by the highest authority, viz., the Secretary of State for India, it is not fair to the States that their right to exercise full civil and criminal jurisdiction and enjoy the status of an independent State should be withheld from them. They should be placed in possession and enjoyment of the full powers and status they enjoyed at the time of the Settlement in 1807-08, and guaranteed to them by Colonel Walker who made the Settlement, as it was on the faith of such guarantee given by him that the States had entered into engagements with him, as representative of the Government.

2. *Right of adoption.*

This right which is akin to the status of the States and is inherent had been fully exercised by them up to the time of Lord Dalhousie. After the Mutiny the Proclamation of 1858 had re-affirmed it. And yet instead of leaving the States to exercise the right freely, like any humble subject of His Majesty, the Government have thought proper to reserve it, to be conferred as a matter of favour only upon the Chiefs of higher classes. The reservation of restriction in question is hardly fair to the States in view of their undoubted right to adopt as they choose without any interference from the Government.

3. *Interference in internal affairs.*

It has always been recognised that the States are absolutely independent with regard to matters concerning their internal administration. Such internal independence has been guaranteed to them by the British Government under the Settlement of Colonel Walker in

1807-08, and yet the Government have thought it proper to interfere in matters and under circumstances which do not justify their interference on any conceivable grounds or principle.

4. *Prohibition of Internal Legislation.*

It is undeniable that before the classification made by Colonel Keatinge in 1866, all States and Talukas were recognised, by the guarantee of Colonel Walker, as full power Chiefs. They enjoyed full plenary jurisdiction in and within their States. Such jurisdiction was, by the fiction of the classification now abolished, immediately curtailed. The objectionable curtailment was evidently an encroachment on the rights of the States and an infringement of the pledge or guarantee given by Colonel Walker so long ago as in 1807-08. The residue of the powers withheld by the Government should now be handed back to the States and *status quo ante* at the time of Colonel Walker in 1807-08 restored, as such withholding on the part of the Government is clearly a denial of the rights of the States, which are inherent, and ought not to have been restricted or taken away. The State also submits that all restrictions on the powers of the States to legislate internally should be removed.

5. *Execution of civil decrees.*

The States and Talukas below Second Class are, by Notifications of the Agency, required to execute decrees passed by the Courts of the Agency and British India. The compulsion is not at all justified. Such a matter must necessarily be governed by the principle of reciprocity on both sides. It is impossible to imagine the reasons which have led the Government to require us to execute such decrees, particularly when there is no reciprocity and the decrees to be executed are of the character of those of "Foreign Courts." Refusal by the Agency and British Courts to execute our Courts' decrees is, in fact, the very antithesis of the principle on which their decrees are required to be executed by our Courts. The State submits that the obligation should be mutual and reciprocity should be established in this connection.

6. *Prohibition against cultivation of poppy, &c.*

The denial of the right of the States to cultivate poppy, &c., by the Chiefs in and within their own territories, and sell it in open market outside, is in fact a violation of their internal economy and independence guaranteed by the Government a hundred years ago. The State submits that all Kathiawar States should be allowed full freedom to grow poppy, &c., in the interests of their revenues, and to export it for sale outside the limits of the States subject, of course, to ordinary taxation in the area of consumption, and that the illegal prohibition should be removed.

7. *Arms and Ammunition.*

There is hardly anything to be said in favour of restrictions placed on the import and use of arms and ammunitions, which are absolutely necessary for the protection of subjects and preservation of peace and order. It is also submitted that restrictions at present existing on

the right of the States to have arms and ammunitions for the personal use of their Chiefs and their families, and restrictions against carrying arms and ammunitions by members of their families or subjects in British India, should be removed. The State feels that the Government and the Committee would give this question their best attention.

7a. Restriction on movement of Chiefs.

It is well known that Government has in many respects restricted the movements of Chiefs and Princes of India, including those of Kathiawar. Such restrictions, the State submits, are absolutely unnecessary and are further derogatory to the dignity of the States. The question has been before the Government for its consideration for some years. It is hoped that the Committee will recommend that all restrictions on movements of Chiefs should be removed and that they should have the full freedom of movement according to their choice.

7b. Trial of British Indian Subjects.

The States should be allowed to try in their Courts British Indian subjects of His Majesty for crimes committed by them in and within the limits of their territory. All restrictions, whatever their nature, prohibiting the Indian States from trying British Indian subjects for offences committed within their territory should be removed.

7c. Trial of Agency Policemen.

The Kathiawar States are not allowed to try Agency Policemen committing offences within the limits of their jurisdiction. The prohibition in question is not justified on any reasonable grounds. The State trusts that the restriction in question will be removed, and the Kathiawar States will have full freedom to try Agency Policemen for offences committed by them within their jurisdiction.

7d. Refusal to pay to the States fines levied from offenders by the Agency Courts.

The principle is well known that in the case of States with restricted jurisdiction, their residuary jurisdiction—civil and criminal—is exercised by the Agency on their behalf. In the trial of offenders by Agency Courts under such residuary jurisdiction, fines levied from such offenders should, on principle, be refunded to the States concerned. The State submits that the refusal of the Agency to do so is unjustifiable, particularly when the expenses of such prisoners in Agency jails are charged to the States concerned.

8. Registration of deeds of sales and mortgages passed by Bhayats and Mulgirasias to the Durbars.

Rules and regulations prescribed by the Agency in this connection, and the undesirable procedure by which such deeds are scrutinised, are unduly restrictive and derogatory. The State submits that it is now time that the restrictions should be removed.

9. Giras Appeals.

The State submits that the old Constitution of the Giras Courts still maintained is galling to the States and highly derogatory and

amounts, in effect, to interference with their internal autonomy. Giras cases and matters are in their nature purely domestic, and final decisions in such matters should naturally rest with the States themselves. The States should have full freedom to decide Giras cases in their own rights and there should be no appeals to the Agency or Government against their decision in such matters.

10. *Mining Contracts.*

This State submits that there are large restrictions placed by the Government on the right of the States to give mining contracts for the purpose of developing the resources of their revenues. These restrictions should now be removed and the States should be left the freedom of entering into contracts for mines and minerals without any interference from the Agency or the Government.

11. *Status and style.*

The States enjoying powers of the Third and Fourth Classes are very often styled as Talukas and their Rulers are merely addressed as "Thakors" or "Darbars Shri" in official correspondence. The practice in question deserves to be now discontinued and States enjoying Third and Fourth Class powers should be styled as "States" and their Rulers as "Thakore Saheb" or "Darbar Saheb" in correspondence by the Agency and the Government.

12. *Individual representation in the Chamber of Princes.*

Individual representation in the Chamber of Princes to the States is denied to those below the States enjoying Salute of nine guns. The criterion in question is obviously objectionable and is detrimental to the individual rights of the States. It is submitted that the restriction in question should be removed and individual representation should be allowed to us, in view of the fact that the Government should not in these days draw any line of invidious distinction between States and States. The practice or procedure in question cannot be justified on any reasonable grounds and requires to be modified as prayed.

The State need hardly add that there are besides these several other restrictions and restraints imposed upon the States. These have had the cumulative effect of seriously derogating from the rights, status and dignity of the States and have affected their internal independence which, it is hoped, the Government would not now desire.

The State feels that considering the way in which the rights of the States have till now been dealt with by the Government, the Committee will recommend that the sense of justice of the British Government should prevail and the Government will come forward, without any fear of loss of prestige, possessions or powers, to right the wrongs done to the States in the past, and restore them their just rights and possessions, and will henceforth so adjust and work out the system that mutual confidence may not be impaired, and detriment directly to the interests of the States and indirectly to the interests of British India and of India as a whole and of the Empire will be easily avoided.

LAKHTAR.

Right of the State to rank as a full power Second Class State.

Colonel Walker's guarantee implies that the Kathiawar States were to be allowed the fullest powers and status they enjoyed when such guarantee was given. This State has been recognised by Government Officers, such as Colonel le Grand Jacob and others, as enjoying the full status of a Second Class State. Colonel le Grand Jacob has, in his report on Kathiawar, dated 1842 A.D., classed this State as Second Class along with those of Limbdi, Wankaner, Wadhwan, Rajkot, Palitana, Dhrol, Morvi and Gondal. Of these Morvi and Gondal have been raised to the First Class. But omission in a subsequent report led the Government to place this State in the Third Class, although its area exceeds that of the Second Class State of Wadhwan, and its Ruler is senior in point of lineage, and its income is larger than that of the Second Class State of Dhrol, even though almost half of its area is held by its Bhayats (cadets). Its Ruler is, besides, in descent on a footing of equality with those of the important Second Class States of Limbdi and Wankaner. The past history of the Province will show that the title by which the Ruler of the State was addressed was "Thakur" in the same manner as the Rulers of the aforesaid States were addressed by Government, as pointed out by Colonel Lang in his report to Government in 1853 A.D. The State adds that even the Gaekwar Government had, in the past, addressed the ancestors of its Rulers with honours higher than those with which it addressed the Rulers of Limbdi, Wankaner and Wadhwan. Under the circumstances it was not permissible to Government to subsequently draw a distinction between the respective status of the aforesaid States and this State in 1866 or at any time between 1853 and 1866. The late Thakore Saheb protested strongly against the ex parte reports of the Local Officers placing the State in the Third Class subsequently, but his protests were overruled. At last in 1923, the claim of the late Thakore Saheb was partially recognised by the Government, with the result that he was granted the enhanced powers and honours of the Second Class. Unfortunately he did not long survive to enjoy such honours and powers. After his demise, the present Ruler moved the Government for grant of the full powers and status of the Second Class. The Government has been lately pleased to grant to the present Ruler full civil and criminal jurisdiction, minus the power to try for capital offences persons other than his own subjects, and sentences of death passed by him being made subject to confirmation by the Hon. the Agent to the Governor-General, Western India States Agency, and the hereditary title of "Thakore Saheb" to the Ruler of the State. But it is clear that full criminal jurisdiction as well as the honours and status of a Second Class Ruler and the right to have direct relations with the Government of India, much less with the Hon. the Agent to the Governor-General, have unfortunately been denied to him. This State submits that the withholding by the Government of the full powers and honours of a Ruler of a Second Class State from its Ruler amounts, in effect, to a breach of the guarantee given by Colonel Walker's Settlement. Considering the age, experience and admittedly the benevolent rule of its present

Ruler, the State hopes that the Committee will be pleased to recommend that the Government should not withhold from the State the grant of the full powers and honours of the Second Class and his consequent right of individual and independent representation in the Chamber of Princes in his own right.

Minor restrictions.

This State need hardly remind the Committee that several minor restrictions and reductions have had the cumulative effect of seriously derogating from the rights, status and dignity of the States. Gradual reduction of forms and ceremonies on the occasions of the visits of the Rulers of States, growing difference between the positions of Chiefs and Political Officers to the prejudice of the former, restrictions on their movement in general and on their freedom to contract for the purpose of developing their resources in mines and minerals, purchase and import of arms and ammunitions for their personal use as well as for that of their families and State Police and Sibandi, absence of reciprocity as regards execution of decrees, restrictions on cultivation, import and export of opium, hemp, &c., on import of salt, absence of reciprocity in actual practice in matters pertaining to registration of deeds of sales and mortgages passed by Mulgirasias or Bhayats to the Durbars, right of appeal to Bhayats and Mulgirasias in Giras cases under the old Constitution of 1873 of Giras court, now abolished, restriction on the right of adoption, which are clearly matters of a domestic nature and fall within the absolute jurisdiction of the States, and such other matters amounting to interference with the internal independence and economy of the States, are only a few of the many glaring instances of restrictions and breaches of obligations on the part of the Government.

The State feels that considering the way in which the rights of the States have till now been dealt with by the Government, the Committee will recommend that the sense of justice of the British Government should prevail, and it should induce it to come forward, without any fear of loss of prestige, possessions or powers, to right the wrongs done to the States in the past, and restore to them their just rights and possessions, and to henceforth so adjust and work out the system that mutual confidence may not be impaired, and detriment directly to the interests of the States and indirectly to the interests of British India and of India as a whole and of the Empire may be easily avoided.

THARAD.

Lastly it is requested that the sovereign authority of the Princes over their vassals and subjects may kindly not be denied directly or indirectly, in official correspondence, as such intervention is against treaties between the States and the benign British Government.

The State would also request that international agreements should not be regarded as automatically binding on the States. In fairness, their views may be first ascertained before the agreements are entered into.

SONPUR.

It has been shown in connection with the States' rights and privileges of the Rulers of the Sambalpur Group that only in the matter of confirmation of death sentences passed by the Rulers of the Sambalpur tract, the records of the cases have to be submitted to the local Government. It has also been remarked that during these days of advanced administration by the States and of thorough supervision by the Political Agent the practice may be fully abolished with perfect safety to the subjects of the States. It has also been shown that a slight interference by the Political Agent in the matter of his giving advice to the Rulers has been due to inadvertence to the rules in force. If, therefore, the Rulers of Group 1 of Sambalpur area be exempted from submitting records of death sentences to the local Government, the States concerned will be perfectly autonomous under the benign supervision of the British Government and thereby the Rulers will develop higher sense of responsibility and will administer the States in a better manner by remaining loyal to the Paramount Power.

SERAIKELLA.

The State of Seraikella was always independent and never came under Mughals or Mahrattas. In 1803 the Governor-General, Marquis of Wellesley, caused friendly communications to be addressed to the then Chief Raja Abhiram Singh Deo of Seraikella inviting his assistance in the war against the Mahrattas and assuring him that British Government would always respect his rights to hold Seraikella revenue-free. Abhiram Singh rendered the assistance asked for. Lord Minto, the next Governor-General similarly addressed the Chief as an equal rather than a dependent Chief and recognised as one of the staunchest friends of the British. Major Roughsedge, Agent to the Governor-General, on the instruction of the Supreme Government, offered the following terms to the then Ruler of Seraikella in 1819:—

“It is considered necessary to enlist your country also under the protection of this Government. It is intended to preserve and keep intact whatever position, respect, honour or land you might be holding from before and the Government means the welfare and prosperity of the country.”

Before the State of Seraikella came under the protection of the British Government, it enjoyed full sovereignty, and the British Government had also not interfered in the internal autonomy of the State for many years on account of the said solemn assurances.

But by the issue of an uncalled for and unjustifiable Sanad in 1899, the internal autonomy of the State has been greatly interfered with. Protests have been made against this but to no material effect. By virtue of its aforesaid independent position and by the terms of the said solemn assurances, the status and position of the

Seraikella State are in no way inferior to any of the many Treaty States of India, but unlike them, this State—

- (a) is not entitled to the membership of the said Chamber of Princes in his own right,
- (b) has no voice in the Standing Committee of the said Chamber,
- (c) has no direct political relation with the Government of India,
- (d) is not entitled to the benefit of the commission of enquiry as noted in the Montagu-Chelmsford report.

So this State claims the aforesaid privileges and rights on the grounds stated hereinbefore, and full benefit of the scheme that will hereafter be granted.

KHARSAWAN.

The State of Kharsawan was always independent and never came under Moghals or Mahrattas. Before this State came under the protection of the British Government it enjoyed full sovereignty, and the British Government had not also interfered with the internal autonomy of the State. But by the issue of an uncalled for and unjustifiable Sanad in 1899, the internal sovereignty of the State has been greatly interfered with. Protests have been made against this, but to no material effect.

By virtue of its aforesaid independent position, the state and position of Kharsawan State is in no way inferior to any of the many treaty states of India, but unlike them this State—

- (a) is not entitled to the membership of the said Chamber of Princes in his own right.
- (b) has no voice in the Standing Committee of the said Chamber,
- (c) has no direct political relation with the Government of India,
- (d) is not entitled to the benefit of the commission of enquiry as entered in the Montagu-Chelmsford report.

This State also objects to the exercise of police and judicial powers by the Government in the four villages Sinabeka, Simundiri, Samra and Dalki, within Pargana Chakardharpur District, Singbhum, which were granted to Raja Ganga Ram Deo, Ruling Chief, Kharsawan State, under the Sanad, dated the 31st May, 1860, in recognition of his loyalty and of the assistance rendered by him to Government during the disturbances by Raja Arjun Singh and other rebels of Porhat. Under the terms of this Sanad, police administration and the decision of cases have been valid to my State. The State being under constant minority was under Government management during the periods, and the powers of police and judiciary in the above villages remained to be exercised all along by British Government. When recently we moved the Government to transfer the police and judiciary to these villages to my State, the local Government withheld it on the ground that better administration of the villages would not result. (Certified copies (1) of the Sanad, dated the 31st May, 1860, granted to Raja Ganga Ram Singh Deo, Ruling Chief, Kharsawan State, (2) of the letter of representation to Government by me, (3) reply of the Government to the above representation, are annexed herewith.)

So this State claims the aforesaid privileges and rights on the grounds stated herein-before, and full benefits of the scheme that will hereafter be granted.

ANNEXURE 1.

Translation of a Sanad, dated the 31st May, 1860, granted to the Raja Ganga Ram Singh Deo, Zemindar of Kharsawan.

After compliments.—Whereas the Government of India has granted to you rent-free, on the recommendation of the Deputy Commissioner of Singhbhum and of the Commissioner of Chutia Nagpur, the four villages of Sinabaka, Simudiri, Samrai and Dalki, in the Pergana Chakardharpur in recognition of your loyalty and of the assistance rendered by you to Government during the disturbances caused by Raja Arjun Singh and other rebels of Porahat, this Sanad is accordingly granted to you, and it is herein declared that if you do continue in the same manner to be always ready to show your loyalty and to render assistance to Government, you and your successors shall enjoy from generation to generation (Putra Putradik) these four villages, as defined by the boundaries given below, as Lakhraj. It is incumbent on you to keep the ryots of these four villages under peaceful control, and to arrange under proper management for the collection of the rents, &c., appropriate to yourself. The villages should be administered in such a way as will lead to their gradual improvement. You shall not transgress the boundaries of these villages as fixed by Government. As regards Police administration and the decision of cases in these villages, you shall have the same powers as those at present exercised in these villages by Government officers. Whenever any crime is committed in these villages, it would be the duty of yourself and your Thikadars to give immediate information to the Police at Chakardharpur. You shall not give shelter in any village under your possession to any criminals or bad characters. Should any such person attempt to take shelter in your villages, you shall immediately give information to the Government Police. On occasions when Government troops or officials enter or pass through your territory, you shall comply with requisitions for provisions, forage, &c., and shall generally render every assistance in your power.

ANNEXURE 2.

No. 557 E. dated 26/2/27.

To the Political Agent and Commissioner.

My esteemed Friend.

In continuation of my letter No. 40 E., dated the 26th April, 1926, I have the honour to address you as regards police and judicial administration in the four villages Sitahaka, Dulki, Samraidhi and Simundiri in the pergana Porhat of the Singhbhum District.

On the 31st of May, 1860, these four villages were granted to my ancestor, Raja Ganga Ram Singh Deo, Ruling Chief of Kharsawan, in recognition of his loyalty and the assistance rendered by him to the Government during disturbances caused by Raja Arjun Singh and other rebels of Porhat.

The Police and the judicial administration in the above four villages are at present carried on by the Government. But they are fiscally a part of my State which enjoys the full revenue derived from them. From the Sanad which lays down "It is incumbent on you to keep the ryots of these four villages under peaceful control The villages should be administered in such a way as would lead to their gradual improvements. As regards police administration and decision of cases in these villages you shall have the same powers as those at present exercised in these villages by Government officers" it is quite clear that the Ruling Chief of Kharsawan is responsible for the administration of these villages and that it was not the intention of the Government that he should be deprived of police and judicial functions.

Unfortunately my ancestors did not care to exercise these villages for reasons known to them. The four villages were not linked with the Kharsawan State and the communications were not sufficiently developed to facilitate close touch and supervision. It may be that for these reasons they did not like to take up the burden of administering these villages.

I would also mention here that the police and the judicial administration of Kendekella villages in Porhat which were granted to the Chief of Seraikella under exactly similar circumstances has always been managed by that State. It is obvious that the intention of the Government was that both the Ruling Chiefs would enjoy the same rights and powers over the respective villages granted to them.

The revisional settlement of these villages is being done by me and it is possible that the decision passed by me will be questioned in the British Civil Court. I need hardly observe that such a state of things would be extremely undesirable and derogatory to the dignity and position of a Ruling Chief apart from the serious administrative inconvenience which it will cause.

I would therefore request you to kindly move the Government to hand over the police and judicial administration of the above four villages to me. For the purpose of smooth administration and for the arrest of persons accused of serious crimes and for the production of witnesses I am ready to accept the procedure as laid down in the Sanad, dated the 31st May, 1860, granted to Seraikella, viz., "If any persons accused of serious crimes committed in Government villages or witnesses of such crime happen to be residents of the villages granted to you or take shelter therein the Police Daroga or any other Government officer shall have power to go to such village and arrest or order the appearance of such persons, and every assistance shall be given him by the village officials."

For the efficient administration of these four villages, I shall remove the police outpost from Kolhan (within my State) to the border of my State; the new outpost will be about 5-6 miles from the villages. The map attached shows the villages marked red (Nos. 299, 307, 321 and 322). So the acceptance of my proposal will not entail any extra burden on my State. I may also point out that the Courts at Kharsawan will be much nearer to the villages than those at Chaibassa.

Yours &c.,
 RAJA AND RULING CHIEF,
 Kharsawan State.

ANNEXURE 3.

No. 1428/G.

From C. L. Phillip, Esq., I.C.S., Political Agent and Commissioner,
Orissa Feudatory States, Sambalpur, to the Ruling Chief of the
- Feudatory State of Kharsawan, Kharsawan.

Sambalpur, the 19th April, 1927.

SUBJECT:—QUESTION OF POLICE AND JUDICIAL ADMINISTRATION OF THE
FOUR VILLAGES GRANTED TO THE KHARSAWAN STATE OUT OF THE
PORHAT ESTATE.

My Esteemed Friend,

With reference to your letter No. 557E., dated the 26th February, 1927, I have the honour to inform you that your representation praying for the transfer to you of the Police and Judicial Administration of the four villages Sitahaka, Simudiri, Dalki and Samraidhi was forwarded to the local Government for orders and that in reply they say that the interpretation of the Sanad by which these villages were granted to you is very far from clear, particularly in view of the deliberate difference in phrasing from the Sanad given to the Chief of Seraikella on the same date. They further say that Police and Judicial matters of these villages have been administered by the British Authorities in the District of Singbhum for the past 70 years and the Governor in Council considers that very strong justification and some demonstration of advantage must be shown before the practice of so many years can be upset. So far from there being any advantage, it is understood that owing to the peculiar situation of the villages grave administrative inconveniences are likely to result from the change. In the circumstances His Excellency in Council regrets that you must adhere to the status quo.

Yours, &c.,

Political Agent and Commissioner.

GANGPUR.

This State, with a number of other States, was ceded to the British Government in 1803 by Raghuji Bhonsla, Mahratta Chief. It was again restored to the Mahrattas. Again, in 1818, it reverted to the British Government. It was finally ceded by the treaty of 1826. The State was formerly dependent on the Maharaja of Sambalpur, but the dependency ceased when the State came under the British Government in 1821 when separate Sanads were granted to each of the Chiefs and separate engagements entered into with them. While under the Mahrattas there was no Sanad system. They were treated as semi-independent States. The Mahrattas simply were compelling the Chiefs to accept their supremacy by making some sort of exaction in the shape of tribute.

Further, the first Sanad which was issued to Raja Parsuram Sekhar Deo contained no stipulation or restriction for internal administration and it was renewed on the same lines in the year 1827. The Raja and his descendants had the choice of freedom and non-interference in

matters of administration. Although the period of settlement was nominally for five years it was allowed to continue in force for several years. It was formally renewed on the 25th December, 1875, when my grandfather, Maharaja Raghunath Sekhar Deo ascended the Gadi as Chief of the State. He enjoyed the same rights and privileges as were enjoyed by Raja Parsuram Sekhar Deo. The period of Sanad which was granted to him was 20 years. The Sanad, which was renewed in 1899, contained for the first time restrictions as to the internal administration, such as settlement, collection of land revenue, imposition of taxes, excise, salt, opium, mining concessions, management of forests, catching of elephants, as well as appointment of Magistrates and Munsifs. The face of this renewed Sanad was decidedly and markedly different from that of others. Here was an instance of direct denial in official documents of the ruling authority of the Chief.

This State was on the same footing as other States of the Sambalpur group when under the Mahrattas and I am aggrieved to find a note made in the Feudatory Manual, Vol I, comparing this with the Chiefs of other States of Chota Nagpur as Zamindars paying tribute, with peculiar powers of internal administration which may be reduced or abolished at pleasure.

Para. 4. Feudatory Manual.—It is an admitted fact that the origin of tenure of Sambalpur Garjat Chiefs was unknown, but certainly it was very ancient. They were first independent, then held in subordination to the Maharaja of Patna, who afterwards had to yield supremacy to the Maharaja of Sambalpur till all fell under the Mahrattas in 1755 A.D., as tributaries. An agency was constituted after the cession of the States to the British Government in 1833, as South West Frontier States, and Gangpur was put in Sambalpur group. With reference to ancestry, history and prestige, I occupy a rank not in any way inferior to the Chiefs of Group I. In this connection I refer to the history of the States of Gangpur and Bonai, as given in Aitchinson's Treaties and Sanads and in Gazatteer from which it will be seen that Gangpur was ceded to the British Government in 1803, with States classed as Group I by the Mahratta Chief Raghuji Bhonsala, and was again restored to him in 1806. It reverted to the British Government in 1818 and was finally ceded by the Treaty of Deogaon in 1826. Had not Gangpur been transferred to Chota Nagpur during administrative changes, it would have been classed as Group I.

This State, being one of the Garjats States of Sambalpur, the origin of which was very ancient and was first independent, claims to have direct relationship with the Government of India and to be entitled to have aforesaid privileges and rights on the grounds stated hereinbefore, and benefit in full measure of the scheme that will hereafter be granted considering its present position of importance and anciency.

BONAI.

This State desires to bring forward a variety of questions, both political and economic, as part of the general case to be presented before the Committee. In the meantime, it will content itself by observing that the terms of the Sanad now granted to the Ruling Chief

of Bonai are in utter contravention of his past rights and privileges, and impose unwarranted restrictions on his powers relating to the internal administration of the State. When this State was under the Mahrattas, the State was required only to pay a small portion of its Revenues in the shape of tribute, the Chief having complete autonomy in all matters of internal administration. When the State was finally ceded to the British Government in 1826, the system of granting Sanads and taking engagements came into force. The Sanads were subject to periodical revision, but beyond slightly raising or leaving unchanged the amount of tribute payable to the British Government, no attempt was ever made to impose restrictions on the powers of the Chief. It was the renewal Sanad, granted in 1899, which for the first time contained various restrictions, interfering seriously with the long-standing rights and privileges of the Chief. This State submits that in respect of powers, rights and privileges it stands on the same footing as the States in the Sambalpur Group (Patna, Kalahandi, Sonepur, Bamra and Rairakhol), of which it, along with Gangpur, formed a part during the sovereignty of Mahrattas, and that its subsequent transfer to the Chota-Nagpur group for administrative convenience cannot affect detrimentally its status, rights and privileges. This State accordingly claims—

- (1) Its inclusion in the Samalpur Group mentioned above with revision of its Sanad on lines similar to the Sanads granted to the States in that group.
- (2) Membership of the Chamber of Princes in its own right.
- (3) A direct voice in the Standing Committee of the said Chamber.
- (4) Direct Political relations with the Government of India.
- (5) Benefit of the commission of enquiry mentioned in the Montagu-Chelmsford report.
- (6) Full benefit of any scheme that may hereafter come into operation.

PIPLODA.

The State has, as at present advised, no other question to add to the list of questions. It is, however, hoped that Government will place all the States on the same footing as regards matters which are of general importance and applicable to all, on the principle of "greatest happiness of the greatest number."

**TRAVANCORE.
COOCH BEHAR.
CAMBAY.**

**JAMKHANDI.
RAMDURG.
KURUNDWAD (Senior).**

DUJANA.

These States indicated that they had no other questions to bring forward.

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Malia	-	-	-	7	66	42	27	15	7	10	-
Miraj (senior)	-	-	-	11	61	46	19	13	15	10	67
Miraj (junior)	-	-	-	11	62	47	21	14	15	7	68
Morvi	-	-	-	8	44	36	12	15	9	13	42
Muli	-	-	-	7	63	42	22	14	7	6	-
Mysore	-	-	-	3	7	15	3	5	3	3	18
Partabgarh	-	-	-	6	29	32	11	9	6	6	-
Phaltan	-	-	-	11	61	45	17	13	14	10	67
Piploda	-	-	-	14	68	50	27	15	18	13	82
Pudukkottai	-	-	-	8	46	36	14	11	10	7	47
Radhanpur	-	-	-	9	46	37	14	15	10	13	48
Rajkot	-	-	-	10	52	39	15	12	11	8	-
Ramdurg	-	-	-	14	62	47	21	14	15	13	82
Rampur	-	-	-	14	30	32	11	15	7	8	41
Sachin	-	-	-	10	53	39	15	15	11	7	49
Samthar	-	-	-	9	52	37	14	11	10	8	49
Sangli	-	-	-	14	53	39	16	12	11	7	-
Savanur	-	-	-	14	62	48	21	15	15	11	-
Sawantwadi	-	-	-	11	54	41	16	12	13	10	-
Sayla	-	-	-	7	60	42	22	15	7	10	-
Seraikela	-	-	-	-	-	-	27	-	-	-	-
Sonpur	-	-	-	-	-	49	37	-	-	-	76
Tehri Garhwal	-	-	-	-	-	37	27	-	-	-	76
Thanadeoli	-	-	-	7	60	42	22	15	7	-	49
Tharad	-	-	-	13	67	48	27	15	16	10	-
Travancore	-	-	-	4	8	17	5	8	4	12	75
Tripura	-	-	-	8	44	35	9	10	8	4	82
Vadia	-	-	-	12	63	48	22	14	16	7	41
Virpur	-	-	-	12	63	48	22	14	16	13	70
Wankaner	-	-	-	7	59	42	9	12	7	10	51
Wav	-	-	-	-	67	-	-	-	-	-	-
Wadhwan	-	-	-	7	80	42	16	15	7	10	-

